HORN OF AFRICA

Study Pursuant to NSSM 184

Prepared and approved by the ad hoc Interdepartmental Group under the chairmanship of the Assistant Secretary of State for African Affairs.

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I. PURPOSE

This study is intended to evaluate alternatives for U.S. policy toward the Horn of Africa--Ethiopia, Somalia and the French Territory of the Afars and Issas (TFAI)--in the light of: (1) the current situation; (2) the question of our future presence at Kagnew Station; (3) shrinking MAP appropriations; (4) the potential difficulties, including those surrounding the Ethiopian succession, which may well arise in the area over the next five years; and (5) the Soviet, Chinese, French, Arab and Israeli interests in the area. By identifying and assessing U.S. interests in the Horn and policy choices available to the United States in various contingencies, this paper will offer a basis for choosing among policy alternatives.

II. U.S. INTERESTS AND OBJECTIVES

A. General. Direct U.S. interests in the Horn are, compared to those in Europe, minor in scale. Because a number of broader issues involving our important interests in the Arabian Peninsula and the Persian Gulf intersect in the Horn, however, our interests there are to a degree strategic in nature. We would be very reluctant to see the Soviet Union, China or another unfriendly power gain a preponderant position of influence in the Horn. Specifically, we would wish to avoid having control of the entrance to the Red Sea, the Bab al Mandab, threatened by unfriendly states. We would also wish to avoid permitting the Soviet Union or China from gaining a predominant position in an area which would flank our interests in the Arabian Peninsula and in sub-Saharan Africa. The current level of Soviet military aid and potential access to military facilities in the area is, on a world scale, not large, but it is growing. Such limited military facilities are not likely to be used directly by the Soviet Union against U.S. interests in the area because of the risks of general war. However, the Soviet influence attendant to this aid and military presence might increase the potential for political influence on or against the relatively unstable regimes in the area. Such political influence might make it easier to damage our interests by fomenting strikes, sabotage and other disruptions which could hinder Western access to oil and other resources of this energy-rich area.
As one means of continuing to realize our aims in the area, we would wish to retain the current level of political influence we now have in the area, particularly in Ethiopia. As a concomitant to this, we are interested in encouraging political stability and economic progress as the best defenses for our more direct interests. Encouraging the peaceful settlement of disputes is an important part of this interest, especially the Arab-Israeli dispute with its negative effects on our interests throughout the region and, indeed, the world. We wish to retain the opportunities and advantages which diplomatic access to all parties can provide in treating bilateral and multilateral problems. Access to natural resources, especially oil and gas, is likely to become increasingly important for us, thus compounding our interest in regional stability. We also wish to protect investments in the region, which are now relatively small but could grow if oil and mineral exploration in the Horn continues to show prospects of ultimate success. We wish to minimize the ability of the Soviets and other unfriendly powers to disrupt the area and threaten our interests.

B. Ethiopia. While modest in global terms, U.S. interests in Ethiopia are considerably more important than our interests in Somalia or other areas of the Horn. Ethiopian moderation and friendship for the United States have frequently been helpful to our purposes on the international and African scenes, including contributions to UN operations in Korea and the Congo and to other international activities having U.S. blessings. This traditional relationship established over the past 25 years is an asset which in itself is worth preserving. Ethiopia's history of independence, the Emperor's great prestige and the fact that Addis Ababa is headquarters for the Organization of African Unity (OAU) and the UN Economic Commission for Africa (ECA) give Ethiopia importance in African councils, but Ethiopia's influence is to no small degree the Emperor's. While Ethiopia's influence will probably wane with his passing, the country's size, agricultural resources, military capability, the strength of its institutions and bureaucracy will help ensure its future importance on the continent.
While our communications facility at Kagnew, one of two such stations on the continent, has been an important link in U.S. communications facilities, most of Kagnew's functions could be closed and transferred elsewhere as soon as June 1974. This would mean, however, a degradation in our strategic communications for about two years, until the facility at Diego Garcia is fully operational. The Department of Defense is prepared to accept that degradation in view of the potential savings of about $12 million per year. Since 1961, we have provided about $190 million in military assistance to Ethiopia. As one of the more stable states in the large area extending from central Africa to Iran and Turkey with which we have long, close relations, Ethiopia has offered port, landing and overflight rights useful to our operations in the Red Sea, Indian Ocean and Near East generally. Ethiopia provided the United States with its only source of ships' fuel in that area during the 1967 Middle East war. Ethiopia's strategic importance would increase with the reopening of the Suez Canal.

We have provided about $310 million in economic assistance since World War II in recognition that Ethiopia, with sub-Saharan Africa's second largest population (est. 26 million) and good prospects for economic development is making economic progress. Moreover, the country has good long term market and resources potential. As one of the 25 Least Developed Countries with which the United States has a long association, Ethiopia is considered as a country we would favor under conditions of increasingly scarce U.S. resources. Our assistance has given us some influence and has helped strengthen the political stability of the country which in turn has supported our other interests. A U.S. firm's discovery this year in the Ogaden of what may prove to be large deposits of natural gas and the resultant enhanced possibility of oil deposits could make Ethiopia more attractive to American investment than in the past and open the prospect of an additional non-Arab source in the Middle East for scarce energy resources. In the last few years American private investment has grown from $10 to $18 million. About $65 million is invested in Kagnew Station.
C. Somalia. Our interest in Somalia revolves mainly around our desire that the country not be dominated by, or grant base rights to, an unfriendly power and not become a disruptive influence in the Horn and East Africa. In particular, we are concerned by the effects of Somali action on Ethiopia. It is in our interest to be in a position to influence Somalia to take a peaceful approach to its disputes with Ethiopia and Kenya, and to have other western states, notably Italy, retain influence in Mogadiscio. However, the current heavy Soviet involvement in Somalia and resultant Somalia dependence upon the Soviet Union for military equipment, plus the association in Somali eyes of the United States with the Ethiopian side of their intractable dispute, limits present prospects for our obtaining significant influence on the current Somalia regime. Renewed access to Somalia for American ships and planes, an advantage now enjoyed by the Soviet Union, is not of prime concern to us—though it would be a convenience. Other than in oil prospecting, American investment is miniscule.

D. TFAI. Besides retaining convenient port privileges at Djibouti, our only real interest in the TFAI is in helping to lessen the territory's potential for exacerbating Ethiopian-Somali rivalry.

III. CURRENT INTERNAL SITUATION AND OUTLOOK

A. Ethiopia

1. Imperial Control

As long as Haile Selassie remains in power, our interests in Ethiopia do not seem in jeopardy, although Ethiopia has more recently been questioning our long-range interests and intentions. Pro-western and a long-time beneficiary of U.S. aid, the Emperor is unlikely to sever his close ties with the United States. At 80, he still gives the impression of being able to hold the country together. Despite criticism of the slow pace of modernization, he still holds the loyalty of key leaders in the civil and military bureaucracy and the loyalty, respect and affection of the rural masses. His mechanisms of control, consisting of a pervasive security network and manipulation of key military and civilian personnel, continue to serve him well. Dissident university and high school students sporadically
disrupt the schools, but they gain little support from other elements of the population. By a mixture of firmness and concessions, the Government has controlled student agitation quite effectively.

Haile Selassie remains in apparent good health and in control of his government, although there are signs of his losing some of the firm grip which he has held in the past. His problems seem manageable. The ruling elite is less secure as it considers the future and is already apprehensive of a Somali attack timed to exploit the uncertainties of the transition to a successor government. Many high officials are preoccupied with political issues, including security matters, and are delaying decisions on economic development. Of current concern is this year's drought affecting large parts of the north; worse than usual, it has prompted population migrations to the southwest which may result in local political friction. Otherwise, frustration within and without the government over corruption and inefficiency has not abated.

2. Eritrean Insurgency

Eritrean Liberation Front (ELF) insurgents constitute a continuing internal security problem. While a substantial proportion of the ELF might once have been content with autonomy, with the growing dominance of the Moslem element, the ELF demands now stress independence for Eritrea.

ELF activity has been at a low level during the past year because of ELF factionalism, Ethiopia's diplomatic success in reducing some of the ELF's foreign support and, marginally, a growing Ethiopian awareness that repression and diplomatic success alone will not end the insurgency. The two main rival factions have resumed their internecine warfare and the efforts of Somalia, Iraq and Libya, among the ELF's principal benefactors, to reconcile the two parties have so far been unsuccessful. The ELF has not, however, lost the ability to escalate the insurgency again particularly when--and if--it heals its internal divisions. There are some indications that the larger faction may be gaining the upper hand.
The ELF's fighting forces have never exceeded 2,000 to 3,000, and this number has been reduced through casualties and defections. The ELF has been unable to go beyond hit-and-run guerrilla tactics to pose a significant threat to Ethiopian control of the province.

The most serious set-back to the ELF has been the reduction of external support, principally from Sudan. Sudanese-Ethiopian relations have improved markedly since 1971, notably since the Emperor's participation in helping settle the Sudanese civil war in 1972 and the concomitant decision of Sudan and Ethiopia to stop assistance to the rebels in the other country. The loss of sanctuary in Sudan and some cooperation between the military forces of the two countries against the rebels have been a serious blow to the ELF.

Aid from other Arab states has also fallen off recently. Yemen, seeking Ethiopian support in its confrontation with Southern Yemen, has promised to cease aiding ELF. Libya, on the other hand, apparently continues to support the ELF, and wants to use the organization in its offensive against Israel and to strike at American targets. This pressure will continue to be a factor in ELF policy decisions.

In an effort to explore coordinating their insurgency activities, Somali officials have had recent discussions with high-level ELF leaders. Although it is still too early to assess the prospects of effective Somali-ELF collaboration, such collaboration remains an obvious strategy for the Somalis. Collaboration also represents another pressure on Somalia to commence Somali guerrilla activity in the Ogaden area if the ELF did its part.

The Ethiopian forces in Eritrea appear incapable of ending the rebellion. The outlook is for continued stalemate. While the ELF is not likely soon to jeopardize Ethiopian control over Eritrea, the movement is not dead and a future increase in insurgent activity seems probable.

3. The Somali "Threat"

In the eyes of the Emperor and his high-level advisors, by far the most serious problem for Ethiopia is external--Somali irredentism bolstered by Arab support and Soviet arms as part of larger Soviet designs in the
Red Sea and Indian Ocean area. The Ethiopians claim and, up to a point, believe that Soviet arms deliveries to Somalia during the past several months have radically upset the military balance in the Horn. As a consequence, the military are getting edgy and might want to take some initiative. They say they are outclassed, outmanned and outgunned in armor, aircraft, anti-aircraft artillery and radar. They allege that huge new shipments of Soviet arms include large amounts of sophisticated equipment such as T-54 tanks, SAM-2's and MIG-21's.

These "facts", combined with intransigent Somali Government statements and demands for the cession of Ethiopian territory and Somali troop movements near the border, are proof, say the Ethiopians, of Somalia's aggressive intentions. They further assert that Somalia is working in collaboration with some Arab States, notably Libya, which will provide military assistance in any conflict with Ethiopia. A May, 1973 public statement by a high-level Libyan official which "expressed Libya's support to Somalia materially and morally against the Ethiopian imperialist invasion", supports this latter point, but promised Libyan military assistance to other countries has not been notable for its effectiveness in the past.

We do not fully share Ethiopia's assessment of the situation. Although it is possible that some T-54/T-55 tanks may have been added to Somalia's inventory, we have had no confirmation that MIG-21's or SAM-2's have been delivered, although they may appear at any time in the Somali arsenal (see Annex A). The Soviets are engaged in constructing one or two military airfields. They have established a naval communications facility near Berbera and use Berbera and other Somali ports frequently as navy ports of call. The large amounts of Soviet hardware that have flowed into Somalia recently do include some anti-aircraft weapons and four to six IL-28 light bombers, but training, supply and logistics problems will prevent the Somalis from rapidly absorbing and effectively using this Soviet aid. Besides, the Ethiopian rapprochement over the past two years with Sudan and Yemen, countries the Ethiopians once linked with Somalia as a threat, has stilled active threats from those quarters. Moreover, so long as Somali irredentist pressures exist, Ethiopia's alliance with Kenya, based otherwise almost solely on the Kenyatta-Haile Selassie friendship, seems secure.
The Ethiopians probably consider the naming by the May, 1973 OAU Summit meeting of a committee chaired by Nigerian President Gowon to offer its "good offices" in the Ethio-Somali dispute as a diplomatic victory for Somalia. They must also be aware, however, that Somalia's successful attempt to internationalize the issue will also make it more difficult for either side to carry out a premeditated attack because there now exists machinery, however fragile, for focusing continental opposition to any aggressor.

4. Succession

The imperial succession continues to be Ethiopia's most unsettling internal problem. The stroke suffered by the Crown Prince early this year, and the Emperor's failure to clarify the succession picture, reduce the chances of a smooth transition of power. Despite probable physical limitations, the Crown Prince reportedly wants to retain his position as heir apparent, an ambition supported by his wife and, apparently, Crown Council President Asrate Kassa. Should the Crown Prince succeed to the throne, he might be so incapacitated that the Crown Council would set up a regency. He also might die before the Emperor.

Zara Yacob, the Crown Prince's 20-year old eldest son who is now in London on leave from college in Canada, appears to have the best chance of the other contenders and is reportedly the one favored by Haile Selassie. Complicating the issue, however, are constitutional ambiguities on the succession issue, the lack of an accepted tradition of primogeniture, and the vaulting ambitions of numerous noble progeny.

The Emperor may name a new successor before he dies and may even crown him; on the other hand, his lifelong policy of keeping potential opponents off balance may cause him to let matters drift. In either event, the Ethiopian establishment (the nobility, church and military) whose influence on the succession is apt to be decisive, will undoubtedly view the 3,000 year-old monarchy as worth preserving and will probably unite behind Zara Yacob, at least initially. The possibility remains, nevertheless, that a dark horse candidate from the ranks of the royal family or the nobility may seize the throne with the backing of a military strongman.
It is doubtful that any future Emperor will command Haile Selassie's power, and a limited monarchy relying on influential nobles, bureaucrats and military officers appears the likeliest prospect. In such a government a key office and potential power base might be the premiership, hitherto a mere appendage of the throne.

Military intervention may occur either during the transitional period if a stalemate among contenders develops, or over the longer term if the successor government shows signs of losing control. In either case, the military is likely to retain the monarchy, sharing power with it or ruling from behind the scenes. A group of relatively senior officers with traditional ties plus some admixture of modern-minded bureaucrats would be the most likely composition for any military regime. A less likely prospect would be a radical nationalist regime which might do away with the monarchy. A military government would probably be more intolerant of political dissent and would take a harder line with the ELF and Somalia.

The U.S. relationship with any post-Haile Selassie government will depend less on the nature of the Ethiopian regime itself than on the amount of future U.S. support—diplomatic, military and economic. Ethiopians, fearing a reduced American presence, are already casting about for new sources of foreign support. Long accustomed to balancing one foreign associate against another, Ethiopians viewed the United States initially as a counterpoise to a potentially threatening British presence and later a powerful friend and principal arms supplier. But the Ethiopian Government has kept its lines open to countries on a wide ideological spectrum ranging from Western countries to the Soviet Union (to which it has objections because of Moscow's military aid to Somalia) and more recently China and East Germany. It will now attempt to exploit these ties for more aid and diplomatic support, and U.S. influence will depend to a considerable extent on its willingness and ability to compete.

B. Somalia

1. Government and Stability

Like Somalia itself, the Supreme Revolutionary Council (SRC) is politically unstable. The strong sense of individualism, loyalty to clan and kin,
and a tendency to resist regimentation characteristic of the Somali nomad are reflected in the 20-odd self-appointed military and police officers who make up the SRC. Major General Mohammed Siad, President of the Council, has established a pre-eminent position for himself, but continuing rivalries and jockeying for power within the SRC are likely to limit his dominance and to produce shifting coalitions within the ruling council. While its leadership and membership may fluctuate and its internal alliances change, the SRC as such does not appear in danger of losing power. Prospects for a return to Somali democracy are dim.

The Somali leadership is intensely nationalistic. While its early Qadafi-like puritanism has blurred, there is still a residue of idealistic fervor, mostly connected with Siad's adaptation of a limited form of Marxism-Leninism to Somali society as the preferred route to nation building.

Views differ as to the effects, both economic and political, of the SRC's economic measures. Nationalization of foreign firms and government-imposed regulations on trade have resulted in shortages of goods and considerable hardship for many of the small so-called middle class who ran the country before the revolution. On the other hand, there has been some success with government-promoted communal farming efforts and with bringing more people into active participation in the system. While Siad and the SRC may feel too dependent on the Soviet Union, and anti-Soviet sentiment will continue to grow, as long as the Ethiopian "problem" remains, he will want Soviet arms. However, Siad would probably be prepared to accept arms from any other source should his fear of dependence on the Soviets increase, witness the request to China last year.

But Somali instability and the fierce independence of the individual Somali have the virtue of making it difficult for the Soviet Union or any other power to wield important influence in Mogadiscio over the long run. This does not, however, discount the current degree of Soviet influence afforded by the present heavy Soviet involvement in the country to which the Somali leaders have so far found no acceptable alternative. It is doubtful that even those among the SRC who favor close ties with the Soviets would accept a
significant increase in their presence. The shifting sands of Somali politics would, in any case, limit the duration of any foreign predominance.

2. **Relations with the United States**

The SRC's socialistic philosophical orientation and the close ties its predecessor civilian regime maintained with the United States, ties which the SRC initially exploited successfully to gain popular support, tend to make it sympathetic to the Soviet Union and highly suspicious of the United States. Its doubts about our intentions were seemingly confirmed when shortly after the 1969 revolution, we were legally obliged to terminate our AID program because of Somali flag trading with North Vietnam and Cuba. Our relations have been rocky ever since. Harassment of American firms, ships and personnel by the sensitive, suspicious Somalis has only recently shown signs of abating. Siad has exerted pressure on us, nonetheless, to resume aid and to exert influence on the Ethiopians to act on the Ogaden. A warm Siad letter to President Nixon at the time of the Vietnam ceasefire and the recent granting of an oil exploration concession to an American firm are probably indications of Siad's willingness to explore better relations with us. Our relationship with Ethiopia, especially its military aspects, will continue to be an obstacle to close relations with Siad who shows concern that we promised the Emperor vast amounts of new military hardware during his recent visit here.

3. **Irredentist Pressures and External Threat**

Since independence in 1960, Somalia has sought passionately to unite under one flag all ethnic Somalis, one third of whom live in Ethiopia, Kenya and TFAI. Many of these Somali nomads migrate across frontiers in search of seasonal pasturage. The Ethiopian and Kenyan positions in the dispute are based on the principle of the sanctity of existing colonial frontiers which was endorsed by the OAU in 1964. It has the support of most African states which are themselves faced with similar ethnic problems.

The Siad Government has maintained some semblance of the detente with its two neighbors established by its predecessor in 1968, but has not abandoned its irredentist claims. In recent months the Somalis have
stepped up their diplomatic initiatives and pressures on Ethiopia, both directly and through third parties. As a result of Ethiopian military reinforcements along the border early this year, themselves a reaction to recent Soviet arms deliveries to Somalia and to Ethiopian fears that Somalia would attempt to interfere with promising gas and oil explorations in the Ogaden, Somalia moved as large a force as it could sustain (9,000) to the border. At the same time, it charged Ethiopia with planning aggression and launched a diplomatic campaign to focus international, especially African, attention on the problem. This resulted in the appointment of an OAU good offices committee in May, 1973. Somali alarm that Ethiopia might make a preemptive strike seems genuine, and word of the recent renewal of the Ethio-Kenyan mutual defense agreement, which the Somalis have probably heard, would heighten that alarm.

Although Siad and some of his countrymen, particularly those in the north, might prefer to press Somali claims through negotiations, he faces pressure from other quarters, especially tribal elements in the border area, for more dramatic action. Siad may also be tempted to distract his countrymen from domestic political rivalries and economic problems in a campaign for Somali unification. There are, in fact, some signs that the Somali "guerrilla" movement is being consolidated and that it may receive help from Cuban instructors in Somalia as well as training in North Korea. Were Siad to succumb to these pressures, however, he would be apt to choose covert support to guerrillas over an overt attack on the Ogaden. The existence of the OAU Committee and the probable behind-the-scenes Soviet counsel to caution should strengthen those favoring the détente.

C. TFAI

The TFAI (Territoire Français des Afars et Issas), a potential source of conflict between the Ethiopians and Somalis, seems slated to remain under French rule for the indefinite future. Inhabited by roughly equal proportions of pro-Ethiopian Afars and a local Somali clan—the Issas—the semi-autonomous French territory contains the terminus of the only railroad from Addis Ababa to the sea. Both Ethiopia and Somalia would fight to prevent its occupation by the other in the event of a French withdrawal. At times
the French have encountered troublesome challenges from the pro-Somali Issas, notably in the period of 1966-67. Moreover, the economic benefits of the port of Djibouti have declined as a result of the closure of the Suez Canal. Even so, the French today appear ready to stay on, justifying their presence as a major factor in preserving regional peace. Recent moves by the Malagasy Republic Government to pare down French naval facilities in Diego Suáres make Djibouti more attractive than ever to the French navy. Pompidou's reaffirmation of the French commitment to the TFAI at the time of his January, 1973 visit was underscored by offers of increased aid and the reinforcement of local military forces. Nevertheless, if at some future date the French decide to pull out, they may favor Ethiopia over Somalia as their heir, recognizing the vital importance to Ethiopia of the railroad link; in such an event a clash with Somalia could be expected.

IV. EXTERNAL INFLUENCES

A. USSR. At present, the Soviets' primary objective in the Horn appears to be the longer-term improvement of their geopolitical position by endeavoring to gain reliable access to suitable military facilities. Soviet policy, shaped in part by broader strategic interests vis-a-vis the Indian Ocean, is largely one of making use of opportunities. The innate instability of the Horn states makes them easily susceptible to outside pressures but unreliable instruments for any "grand design." Rather, the Soviets attempt to take advantage of situations in which Moscow's interests coincide with those of regional states. Somali-Ethiopian tensions help promote the expansion of Soviet presence in the Horn. In order to protect their investment in facilities there, however, the Soviets would prefer that open hostilities not occur, and they have attempted to keep on good terms with both parties. It should be noted that there have been continuing signs of strain in the Soviet-Somali relationship. A Soviet colonel was recently killed, apparently as the result of an argument with a Somali officer.

Somalia, a country relatively insignificant in the African context, has been the object of a Soviet military aid effort since 1963. There have been significant returns on the small Soviet investment of $54 million in credits extended, particularly during the past year, when increasingly sophisticated equipment in regional
terms has been delivered to Somalia. At present, there are some 700-1,000 Soviet military advisors and technicians in Somalia. As indicated in Section III, the Soviets have constructed a naval communications facility near Berbera for their own use and are reportedly engaged in airfield construction. They are planning to further enlarge Berbera Port and provide additional support facilities, and have shown interest in other port construction. Significantly, the Soviets have also been interested in developing naval facilities in the People's Democratic Republic of Yemen (PDRY), thus providing partial insurance against a sudden change in Moscow's relations with either country.

This effort almost certainly reflects the importance of Somalia to Soviet interests in the Indian Ocean region, and suggests both real and potential rivalry with the Chinese. Although the Indian Ocean is not at present an arena for great-power strategic naval competition, the Soviets apparently take the view that, because the Soviet Union is a great power and a prominent maritime power with large shipping and fishing interests in the Indian Ocean, protection of their sea lanes is required. On an average day, approximately 50-60 Soviet merchant ships are in the Indian Ocean region, either transiting or en route to ports in East Africa and the subcontinent or other Indian Ocean ports, carrying items of military and economic aid, trade cargoes or oil. This compares with a loosely estimated daily average of 300-400 non-communist merchant ships in the same area.

Soviet operations in the Indian Ocean offer an opportunity to enhance Moscow's naval capability in the area by providing oceanographic and other scientific data, intelligence, and training and familiarization for the ships and crews. Consistent with the Soviets' status quo policy in Asia, fostered by a desire to avoid creating anti-Soviet fears among littoral states which might be exploited by China, the Soviets have in their relations with regional powers tried to avoid implying any potential interventionist mission for the Indian Ocean force. However, during the December, 1971 Indo-Pakistani war the Soviets deployed naval units to the Bay of Bengal, as a counter to U.S. naval deployment there, in an obvious if symbolic demonstration of support for their clients. The maintenance of a continuing Soviet naval presence in the Indian Ocean area
could at some future time be used to reinforce Soviet political initiatives, possibly in providing a potential capability to affect the distribution of Middle Eastern oil or in furnishing support to Moscow's friends in the area.

Berbera is of primary value to the Soviets for the support of naval operations in the Indian Ocean, where the Soviets have increased the deployment of naval vessels over the past five years and currently have 15 units, of which seven are small combatants. These units spend the majority of their time at anchorages, principally in the vicinity of the Seychelles or in port at Berbera. Berbera also has potential secondary significance as a port on the Gulf of Aden in the event the Suez Canal were reopened. However, since some six years of closure have pointed up the Canal's vulnerability and accustomed all parties to doing without it, a reopened Canal would be a convenience for Soviet strategy and would provide greater flexibility in deploying ships, but would not be an indispensable lifeline.

Soviet military aid to Ethiopia totals $1.8 million, most of which was expended in 1969 on two MI-8 helicopters together with training and spare parts.

The Soviet economic aid program in the Horn has been limited, and characterized by under-utilization of credits extended. Since 1961, the Soviets have extended some $87 million in aid credits to Somalia, of which about $41 million have been drawn. They have shown interest in developing Somali fisheries and mineral resources (quartz deposits near Berbera), and construction of a major project, the Juba River dam, is scheduled to begin this year. In recent months, the Somalis have sounded out Italian firms to take over the management of Soviet-built fish and meat packing plants, a reflection of Somali dissatisfaction with Soviet performance in the economic field.

The Soviets have tried to maintain good relations with Ethiopia but their close ties with Somalia and, in the past, Sudan have made the Ethiopians highly suspicious. Neither side seems really interested in finding ways to utilize the approximately $100 million in credits extended in 1959, of which only some $18 million have been drawn. For Ethiopia, the terms are too hard and there are complaints about low-quality Soviet equipment; for the Soviet Union,
it appears that Ethiopia is currently a low priority area, perhaps because they recognize the limited opportunities available. The Soviets have, however, helped develop a port and oil refinery at Assab on the Red Sea, the efficiency of which the Ethiopians criticize.

The Emperor habitually paints to Americans the picture of Ethiopia as an ally standing in the path of historic Russian ambitions in the Near East. Despite their distrust of Soviet intentions, the Ethiopians have kept their lines open to Moscow. Closer Soviet-Ethiopian relations are unlikely, however, so long as the Soviets continue their relatively large military assistance to Somalia. Were this to end and U.S. military assistance to be reduced, the Ethiopians might well turn to the Soviet Union for assistance.

B. China. The interest of China in the Horn of Africa can be seen in the context of its vigorous effort to increase its influence throughout Black Africa, its desire to offset Soviet influence, and its own longterm strategic interest in not allowing the Indian Ocean area to become the "lake" of any hostile or potentially hostile power. Since 1969, China's policy in the Horn, as in Black Africa as a whole, has contained the following elements: (1) the desire to expand government relations without regard to political ideology and social structure; (2) the generous underwriting of projects involving development of agriculture, expansion of small industry and construction of vital transportation links; (3) a firm refusal to become involved in interstate disputes; and (4) a similar refusal to support domestic dissidents. This policy, in conjunction with China's efforts to identify itself with third-world problems and aspirations, has earned for Peking considerable good will and a greater receptivity to its positions on major international issues.

The Ethiopian decision to recognize Peking in November 1970 and the subsequent state visit to China by Emperor Haile Selassie in October 1971 resulted in immediate and tangible benefits for Ethiopia. The Chinese pledged to terminate their assistance to the ELF and to assure that aid supplied Somalia would not be channeled to anti-Ethiopian subversive movements, and to extend an $84 million interest-free credit for economic development
projects. These Chinese steps have improved relations, although Ethiopian suspicions of Chinese intentions persist. There is concern about Chinese aid to Somalia and some resentment at delays in the implementation of various development projects in Ethiopia.

Chinese involvement in Somalia is more clearly a function of its desire to counter Soviet influence. Its extension to Somalia in 1971 of a $110 million loan, the major portion of which is allocated to construction of the 600-mile road linking Beled Wen and Burao, gave it the lead in the economic aid field (the Soviet Union has invested approximately $87 million). Nonetheless, the Soviet near monopoly on military assistance and strong influence in the Somali media have thwarted any Chinese hopes of making significant political gains vis-a-vis the Soviet Union. In response to a direct Somali request for military assistance a year ago, Chinese leaders made plain that such aid would be granted only in the event of a cessation of military cooperation with the Soviet Union. The Chinese further indicated that they wished to avoid involvement in Somali territorial disputes with Ethiopia and Kenya. China's activities and interest in Somalia are likely to be confined to economic development schemes for the foreseeable future.

C. Israel. For Israel, the importance of the Horn of Africa lies in the fact that its oil imports from Iran and trade with East Africa and the Far East all must pass by the Horn. It is a basic Israeli strategic objective to block any attempt to restrict free passage through the narrow southern entrance to the Red Sea, the Bab al Mandab. This passage is vital to Israel's sea lane from the port of Elath through the Gulf of Aqaba, the Strait of Tiran and the Red Sea into the Indian Ocean. Maintenance of close and effective relations with Ethiopia is a key factor in assuring Israel's use of this trade artery.

Israel is also concerned over increased Soviet activity in Somalia. This concern has some justification since the Soviet Union is acquiring additional naval and military facilities in Somalia and has shown interest in acquiring naval facilities in the People's Democratic Republic of Yemen. The longterm usefulness of the facilities is questionable, however, given the highly unstable governments that provide them. Nonetheless, the facilities could, under adverse circumstances,
pose a distinct threat to Israel's Red Sea sealane were the threat of general war not to restrain the Soviets from using them. Israel, for its own purposes, has encouraged Ethiopian fears of possible Somali military action against their country.

Although less than 10 percent of Israel's general trade passes through the port of Elath and the Red Sea, this route is vital to the country's fuel requirements. All of Israel's domestic oil needs—about 6.0 million tons per year—are imported from Iran through Elath and any threat to this route would have profound psychological implications for the Israelis. Furthermore, the Elath-Ashkelon pipeline now handles about 20.0 million tons of Iranian crude, which transits the Bab al Mandab, and nearly 6.0 millions of crude produced from captured Egyptian fields in Sinai in transit to European customers.

Ethiopia is also an important element in Israel's objective of establishing and maintaining ties throughout Sub-Saharan Africa to limit the southward expansion of Arab influence. Israel has suffered some setbacks during the past 18 months, however, as six African countries have broken formal diplomatic ties. There are signs the Ethiopians, too, may be having second thoughts about the public closeness of their ties with Israel, but there is little thought of breaking relations; the Ethiopians believe that the benefits still outweigh the risks for Ethiopia. 1/

D. The Arabs. Although the Horn is not high on the Arab list of strategic priorities, the region's importance for Israel has inevitably made the area an arena for confrontation within the context of the Arab-Israeli struggle. Arab states are determined to oppose any extension of Israeli influence and presence so long as the basic conflict continues. At the May, 1973 meeting of the OAU, Libya tried to pressure member states to break relations with Israel and to move the headquarters of the OAU from Addis Ababa to Cairo where Arab influence over the organization would be enhanced. Although these attempts were unsuccessful, it seems highly probable Qadhafi will continue his

1/ DOD believes Ethiopia's importance to Israel is overstated and that recent reports indicate the Israeli Government is apparently making a similar reassessment.
anti-Israel campaign with undiminished vigor through Africa. Much to Ethiopian chagrin, the Libyans did succeed in pushing through a resolution of support for the ELF at the March, 1973 meeting of Islamic Foreign Ministers at Benghazi.

The Arabs also see Christian Ethiopia, with its cooperative relationship with Israel, as a threat to Arab, and to a lesser degree Muslim, interests in Africa. The People's Democratic Republic of Yemen (Aden), Syria, Iraq, Libya and some of the Palestinian commando organizations have supported activities of the Eritrean Liberation Front (ELF) against the Emperor and Somali demands for substantial boundary changes between Somalia and Ethiopia. This support has consisted of training of ELF insurgents and gifts of small amounts of money and arms. There is no evidence that Egypt, Saudi Arabia, Jordan and Lebanon provide support for the ELF. Sudanese interest in the ELF has all but ceased since the improvement in Ethio-Sudanese relations over the past two years. But Libya in particular appears ready to give additional generous backing to the ELF.

E. Italy. Italy attaches much importance to the Horn and takes pride in the linguistic and cultural ties that persist in the areas of its former rule. Italians comprise the largest European group residing in both Somalia and Ethiopia. Rome hopes for an amicable solution to the Ethiopian-Somali conflict and seeks good relations with both nations. Italy sometimes acts as an intermediary and moderating influence between the two countries.

Italy is Somalia's largest Western aid donor ($121 million in economic aid through 1971) and prior to the large Soviet involvement in military aid in the mid 1960's, was also Somalia's principal military aid donor. Many Somali military officers, especially at middle and upper levels, have been trained in Italy and retain ties, however intangible, to the former metropole. Bilateral relations, strained since the coup, have improved in the past year. During this time, Italy has tried to act as a friendly broker between the United States and Somalia and has repeatedly urged the United States to resume economic aid in order to ease Somalia
away from the Soviet camp. Following the recent visit of Somali Vice President Culmie to Rome, Italian officials informed us that Somali leaders desired a reduction in Soviet influence in Somalia and better relations with Western powers. Recent Somali agreements on nationalized schools and compensation for nationalized Italian companies indicate a Somali desire for warmer relations with Italy. Negotiations are now reportedly underway for a large-scale Italian-Somali commercial agreement for additional Italian private investment.

In spite of history and the continuing presence of a large number of Italians in Eritrea who are sometimes rumored to be pro-Eritrean, Ethiopian-Italian relations are generally good. Italians play a large, but not dominant, role in the economic sphere and Italy supports Ethiopian associate status with the common market. Italy has little influence on Ethiopian foreign policy.

F. North Korea and Cuba. Close relations between the Siad regime and North Korea have existed since Siad's visit to Pyongyang in May, 1972. At that time and since, North Korea has publicly supported "unification" of Somalia in various communiques and, even prior to the visit, materially advanced Somali efforts toward "unification" through guerrilla warfare training of Somalis in North Korea. In July, 1972 the Somali Minister of Defense reached an agreement with North Korea to shorten the training period of the Somali insurgents from six to four months so that the number of those trained could be increased. As of June 1973, at least 175 Somalis had returned to Somalia after undergoing guerrilla warfare training in North Korea, and the returnees are engaged in training other Somalis at various insurgent camps in Somalia. During the mid-April, 1973 visit of a Cuban delegation to Somalia, Cuba agreed to send paramilitary advisors to take over the final phase of guerrilla warfare training at the various camps in Somalia; in anticipation of their arrival, the nearly 1,600 guerrillas from the various camps are reportedly being consolidated at one location. Whether or not Somalia intends to use these guerrillas against Ethiopia, and possibly Kenya, in the near future, they remain a significant factor in the Somali-Ethiopian "border dispute."
V. KEY ISSUES FOR THE UNITED STATES

A. US Policy toward the Horn in the African, Indian Ocean and Near Eastern Contexts

Apart from the importance of its own regional problems, the Horn is an area where a number of broader issues of concern for U.S. policy intersect. This heightens our interest to some degree, creates "spill-overs" of other problems that in turn exacerbate issues in the Horn and, conversely, involves the Horn in issues that go beyond its own regional problems.

Africa

The Horn has significance for the United States in the context of our overall African policy. Our relationship with Ethiopia has been of special importance because the Emperor has simultaneously had close ties with the United States and been regarded as a major African and third-world figure. We therefore have found the relationship useful as a way of exerting a moderating influence on African policies. This tie is clearly worth preserving, although it is unlikely to persist to the same extent beyond the Emperor's death. Even then, Ethiopia will be a major African country, but it is improbable that the Emperor's special and unique role can be inherited by any successor.

The Horn also raises issues of African stability and peacekeeping, and the degree to which the United States can and should become involved. Our general posture in Africa has been to limit our political involvements, to keep super-power rivalries at a low level of intensity, and to keep African expectations of US resource commitments realistic. At the same time, the US relationship with Ethiopia and the broader implications of regional tensions in the Horn give us a particular concern to keep tensions in the region dampened. One of the major issues for US policy in Africa is to find an effective middle way between indifference—probably impossible and in any case damaging to our interests—and a degree of commitment which would lock us into regional problems and resource commitments that would be at variance with our interests on the continent as a whole. An additional constraint on the US role in the Horn is the general African desire to settle African problems "within the family" without
outside participation. We have generally encouraged this approach and would want to take account of it in our policy decisions on the Horn.

Indian Ocean. Because of the diversity of the Indian Ocean littoral, the United States has a series of specific concerns that vary from country to country and region to region. The common denominator of our broader interests, which apply throughout the area, is that we wish to maintain unimpeded access to the sea and air routes and to the resources of the area, especially oil, to prevent interference with maritime traffic, and to prevent any single power, especially a hostile one, from gaining a preponderant influence throughout the region. The Soviet naval presence in the Indian Ocean is not now a threat to US interests, but we have an obvious concern to monitor Soviet naval activities and to ensure to the extent possible that they are not used in ways detrimental to our interests. If possible, we would like to accomplish this without a significant and costly increase in the US presence in the area, in particular a naval arms race.

Two other regional trends also have a bearing on our interests in the Indian Ocean. One is the effort to eliminate great-power naval presence through such proposals as the "Indian Ocean Zone of Peace." The other is the rise of regional naval powers such as Iran and India, which carries implications for future competition among the littoral states. These questions were treated in NSSM's 104 and 110, which remain valid.

At present, the Soviet naval presence in Somalia is the major issue in the Horn that bears on our Indian Ocean concerns. For the moment, the Soviet presence in the Indian Ocean appears designed largely to show the flag and establish and reinforce the Soviet Union's credentials as a power with world-wide interests. This in itself presents no major dangers for US vital interests. But if the Soviet Union's policy were ever to go beyond this, its presence in Somalia would enhance future Soviet capability to employ its naval assets in the area to increase its political influence in the Red Sea-Arabian Peninsula-Persian Gulf area at the expense of the

2/ The Joint Staff believes such an estimate should be withheld until the response to NSSM 182 is completed.
United States and our concerns obviously would be changed.

The issue then is whether the United States should seek to reduce or deny Soviet access to these facilities and, if so, how this should be accomplished.

The Near East. Because of its geographical location and regional ties, the Horn is relevant to US policy concerns in the Near East. In particular, it would not be in our interest to have the region become an extension of the Near East confrontation. One major issue for US policy in the area, therefore, may simply be to insulate the Horn, to the extent possible, from these tensions, so as to prevent any further complication in a regional situation that is already sufficiently complex and difficult.

Over the past year the projection of Arab-Israeli rivalries into the Horn has increased. With the signing of the Addis Ababa agreements ending the southern Sudan rebellion, and the related improvement in Sudanese-Ethiopian relations, one point of entry for these tensions was closed. Since then, however, the intensified campaign by the OAU's Arab members, led by Libya, to reduce Israeli presence in Africa has been brought to bear increasingly on Ethiopia, culminating in Qadhafi's recent abortive effort to move the OAU's headquarters out of Addis Ababa. Arab unhappiness with the Ethio-Israeli relationship has, in turn, been exploited by Somalia in its efforts to win diplomatic support on the border issue. The possibility that Israel's ties with Ethiopia will become an even more contentious issue is a matter of concern for the U.S. This in turn raises the question of what degree (or visibility) of the Ethio-Israeli relationship is compatible with avoiding such an eventuality.

A related issue concerns the influence of Arab states in the Horn of Africa. To the extent that we can do so, it is probably in the US interest to try to limit the involvement of radical Arab states in the regional politics of the Horn. The increased interjection of Arab states into the Ethio-Somali dispute on the side of Somalia would almost certainly exacerbate regional tensions, perhaps lead to a higher level of outside support for dissidence within Ethiopia, and probably raise Ethiopian fears to a dangerous level. While the prospects for African good offices in the dispute are not bright, the
OAU's efforts to sponsor a solution might restrain Somali efforts to line up Arab support against Ethiopia. In this context, the continuation of good relations between Ethiopia and Sudan, its nearest Arab neighbor, become even more important. Similarly, it might be possible — particularly over the long term — to encourage an awareness of a community of interest between Ethiopia and some Arab states.

The Soviet Union's use of Somali port facilities also bears on Near Eastern issues. If the Soviet naval presence in the area were to be used to exert direct pressure on Arab countries, e.g., to support or intimidate Arab regimes; to increase Soviet influence in the Arabian peninsula beyond present levels; or to interfere with Red Sea or Persian Gulf maritime traffic, US interests could be seriously threatened. Furthermore, if Soviet actions in the area threatened Israel's Red Sea route, grave new complications would ensue. However, these threats are conjectural rather than actual and would have to be weighed against the constraints imposed on Soviet actions by its other regional interests and by its relations with the United States.

Finally, developments in the Horn of Africa may have some effect on the Arabian Peninsula, an area of major importance to the United States as a source of energy. If the Suez Canal were reopened, or if an oil pipeline were built paralleling the Suez, the importance of the Horn to the flow of Middle Eastern oil would increase considerably. An unfriendly regime in either Somalia or Ethiopia, or the implantation of a hostile foreign presence in either country, could threaten that flow and have an adverse influence on our presence in the Arabian Peninsula or on the stability of friendly regimes there.

B. Responses to Threats to U.S. Interests from External Pressures.

As outlined in Section IV and V. A., the Horn generally continues to be an area of peripheral importance both to the United States and to countries whose influence there might endanger our interests. Nevertheless, we should consider the issue of how to respond to external
pressures that do exist there. In that part of the region where we have by far the largest stake and whose future stability is most important to us—Ethiopia—the main potential sources for external pressures that might threaten our interests are Soviet support for Somalia's escalating its confrontation with Ethiopia short of open hostilities, and Arab, especially Libyan, backing for increased ELF activity. While Chinese influence may grow in the Horn, the Chinese appear to have adopted a policy of firm refusal to become involved in interstate disputes and African domestic dissidence and are, therefore, not immediately threatening to us. There are no indications that this policy is likely to change in the next few years.

Soviet Pressures. Should threats be posed to Ethiopia (and to the stability of the region in general) by Soviet influence in the Horn, we would want to respond in a way that would not get us inextricably involved in an arms race in the area, although there are other actions we might take which could be marginally helpful. Above all, we should continue to do our best to retain cordial relations with the Ethiopian Government lest Soviet opportunities for increased influence in Ethiopia increase.

In examining ways to counter Soviet pressures through Somalia, we must deal with these basic facts: Somalia and its Government are both independent-minded and unstable, weak reeds for the Soviets or anyone else to lean upon; the communications, bunkering and other facilities which the Soviet Union enjoys in Somalia are useful, but not essential, to its Indian Ocean strategy; they are subject to easy dislocation by political change within Somalia and escalation of the Ethiopian-Somali confrontation; a certain amount of tension between Somalia and its neighbors increases Somali reliance on the Soviet Union for military aid and thus adds to the security of Soviet operations there, but open hostilities would gravely endanger them.

In consequence, we judge that the Soviets would discourage Somali adventurism but that they have little interest in American or other efforts to find a permanent solution to Somalia's disputes with its neighbors. Nonetheless, consideration should be given to our approaching the Soviets in an effort to limit arm shipments to the Horn and to resolve the Ethio-Somali dispute as described in Section VI, and thereby to reduce their ability to exert pressure against our interest in Ethiopia.
Arab-Israeli Pressures. Arab support for the ELF and the threat it poses to our interests in Ethiopia, including Kagnew, and Arab support for Somalia are based on sympathy for their co-religionists and, more importantly, on the IEG's intimate ties with Israel. Although this is very much a side-show of the main Arab-Israeli conflict, Israel's close involvement in Ethiopia will continue to provoke Arab involvement in the Horn.

Until there is some settlement to the Middle Eastern conflict, our ability to respond to Arab pressures against our interests in the Horn is severely restricted.3/ While years ago it may have been reasonable for us to consider assisting Ethiopian counterinsurgency efforts against the ELF, such action now would lead the ELF to trumpet this additional "proof" of Ethiopian-Zionist-American collaboration and almost surely stimulate additional Libyan, Iraqi, Syrian, and Southern Yemenese support. In such a situation, some Arab states would also be likely further to bolster Somali intransigence.

A major rationale for Arab assistance to Somalia and the ELF is the close relationship between Ethiopia and Israel. Were Ethiopia to cut back or eventually even to break relations with Israel, the possibility exists that this Arab assistance to the Ethiopian Government's major internal and external enemies would be reduced. An issue for the United States is whether we should encourage the Ethiopians to move away from the Israelis in an attempt to limit the intrusion of the Arab-Israeli conflict into the Horn and the concomitant Arab pressures on Ethiopia.

3/ DOD believes that our choices are less restricted and that there are actions that could be considered independent of settlement of the Middle East, i.e., encourage Ethiopia to lessen its Israeli ties and increase its cooperation with moderate Arab states such as Saudi Arabia.
The Ethiopian-Israeli relationship is based on historical ties and on a common, centuries-old fear of hostile Moslem encirclement, themes which Israel has adroitly exploited. The most obvious benefit for Ethiopia flowing from the relationship is the training, particularly in counter-insurgency techniques in Eritrea, received from 30-odd Israeli military advisors. This military tie is also the most galling to the Arabs, if their false contention that Ethiopia has turned over islands in the Red Sea for Israeli military use is excluded. As described in Section IV. C., Israel has major strategic interests in maintaining Ethiopian friendship, although there are reports that some Israeli military leaders are less concerned about the Ethiopian role than in the past.

On balance, the amount of Israeli aid to Ethiopia may be less than Arab, increasingly Libyan, assistance to the ELF and Somalia. If so, then a rupture with Israel would appear to be to Ethiopia's advantage provided Arab aid to the Government's enemies also ceased. But Colonel Qadhafi's demonstrated religious fanaticism and his Nasserite ambitions, and the other radical Arab leaders' dislike for the conservative, Christian Ethiopian Government with its continuing close relations with "imperialistic, pro-Zionist" America, might lead the Arabs to turn from overt to covert assistance rather than lower appreciably the level of their help to their co-religionists in Somalia and Eritrea.

Separate from the suggested weakening of Ethiopian ties with Israel, the idea that we might try to encourage Ethiopia to strengthen its relations with moderate Arab states such as Saudi Arabia has been advanced. There are widely divergent views within the U.S. Government on these ideas.

Some believe that if the Israeli ties were cut, moderate Arab states might replace Israeli aid. Others feel that a gradual awareness of coincident interests might develop between Ethiopia and some Arab governments similar to the relations which already exist among moderate Arab states and between some of them and Iran. This view would not envisage any dramatic initiative but rather a low-key, gradual encouragement and facilitation.
of developing similar points of view, and explanations to the governments concerned of what might be achieved and how each moderate Arab state and the Ethiopian Government might fit into some evolving regional framework. This view acknowledges the considerable diversity of interests among Arab governments and seeks to identify areas of possible cooperation among states of the region, including Iran and Ethiopia. Opposed to this view are those who believe that traditional factors, such as the very conservative Saudi brand of Islam, will continue to override any likely appreciation of national interests shared with Ethiopia.

On the question of Ethiopian-Israeli ties, there are those who think that, because of the dependency it feels upon Israel's counterinsurgency assistance, Ethiopia would reject out-of-hand any suggestion that it reduce this aid. They contend that were Ethiopia to reject Israel, it would be trading a small, and difficult-to-replace but important contribution from Israel for insubstantial gains with the Arabs. Some argue that, in any case, now is not the moment for such an American initiative. They say that, at a time when we are unable to respond more than nominally to the Emperor's latest request for military assistance and when we may shortly have to tell him that in the future we shall be obliged to reduce security assistance levels, any suggestion from us to the Ethiopian Government that it turn away from its second most valuable source of military assistance would be received very badly.

Another school of thought believes that the United States, without substantial direct influence on Arab activities in the Horn, might better direct its efforts to resist Arab pressures towards trying to weaken Arab temptations to interfere. This might involve discreet vocal support for any indications we find among Ethiopians and Israelis of a disposition to make less public or even less intimate their close working relationship.

There is general agreement that we should at least attempt to lessen Arab pressures by keeping as distant as possible from the Israeli-Ethiopian cooperative effort in Ethiopia. We might also, by prudently counseling the Ethiopians to settle the problem of sovereignty over the
Red Sea islands and to open more opportunities to Ethiopia's own Moslem citizens, encourage the Ethiopian Government to remove certain other causes of Arab hostility.

C. U.S. Role in Encouraging Accord. The most intractable and dangerous threat to peace and stability in the Horn is the confrontation between intransigent Somali irredentism and Ethiopia's firm determination to preserve the territorial integrity of the Empire. Many observers believe the centuries-old problem will exist for generations, and that no outside influences can affect its course significantly. If it is not resolved, however, the danger of hostilities breaking out by design or accident between Ethiopia and Somalia will persist. If hostilities were to occur, the Ethiopians would be sure to make a strong request for U.S. material and political support. Despite Soviet aid to Somalia, we might find it difficult to provide material support and politically embarrassing not to be responsive to our long-time Ethiopian friends.

Certain elements in today's situation make it worthwhile to try to resolve the Ogaden issue. These include: Haile Selassie's constructive attitude, including his realization (of which the Somalis are aware) that a settlement would be easier to reach while he is in firm control than during a confused succession period; the increasing likelihood that oil and gas deposits will be found in the Ogaden which could be exploited most economically by a joint Ethio-Somali effort beneficial to both countries' economies; the U.S. interest in view of other demands on its resources, to lower its profile in the Horn and the possibility of Soviet second thoughts about the risks of becoming too closely tied to an unpredictable Somali client state; and finally, the recent creation of an OAU committee to offer its good offices to the disputants. Somali demands and basic Ethiopian unwillingness to cede sovereignty over any territory remain the chief obstacles.

In these circumstances, it might behoove us to seek Soviet (and French) agreement to limiting arms shipments to the Horn.

We might also examine the utility of approaching the parties directly with a formula designed to minimize the territorial question while maximizing the economic benefits
both sides would derive from it. Another avenue of approach would be to sound out discreetly the OAU good offices committee, through its chairman Nigerian President Gowon and/or other heads of state on the committee, suggesting we would be willing to work with it quietly to help find a formula for resolving the problem. One such formula would establish an entity composed of part of the Ethiopian Ogaden and surrounding Somali territory to be administered jointly by Ethiopia and Somalia. In return, Somalia would renounce claims to the TFAI. Oil or other mineral resources found in the area would be jointly exploited with profits going to the two governments and for the development of the entity.

The details of any such proposal would require very delicate negotiations before they would be accepted by either highly distrustful party. Ethiopian fears would be centered on the precedent any arrangement which weakened Addis Ababa's control over one ethnic group would set for other areas of the conglomerate Empire, particularly Eritrea.

D. Kagnew Station. The Department of Defense has proposed the withdrawal of most of the activities from Kagnew by the end of Fiscal Year 1974 (detailed proposal at Annex B). DOD's proposal is based primarily on projected savings of about $12 million a year, as well as on the uncertain security situation in Eritrea. The primary operational consequences of the withdrawal would be a degradation in Navy's tactical communications capability that DOD is prepared to accept for up to two years until improvements are completed at Diego Garcia. The residual functions remaining at Kagnew probably would be limited to STONEHOUSE and MYSTIC STAR, requiring a total complement of about 100 civilian contract personnel. The residual functions could be quickly terminated in an emergency situation in Eritrea although with a significant degradation to our capabilities.

The importance and size of our operation at Kagnew has been declining over the last two years. In 1971 the total complement consisted of about 1,600 DOD personnel and about the same number of dependents. In 1972, as a result of budgetary constraints, the intelligence collection
activity was phased out, reducing DOD personnel to about 900. As a result of that decision, it was further decided to transfer the base support responsibility from Army to Navy that will result in a further reduction of DOD personnel by 31 December 1973 to about 600.

The President decided that the Department of State should inform the Emperor during his May 1973 visit to Washington, that the question of our presence at Kagnew is under review and that any decision taken will be made in such a way so as not to upset the security situation in the area. When so informed by the Acting Secretary of State, the Emperor noted that despite the potential political problems for Ethiopia as a consequence of his agreeing to the establishment of Kagnew in Ethiopia and its continuation for an extended period, at no time had his government refused to cooperate with us regarding the station. He added that the decision to close Kagnew was exclusively one for us to make.

There is agreement among the agencies that the proposed withdrawal would produce savings estimated by the DOD at $12 million a year. In addition, our departure would remove certain political costs Kagnew entails for Ethiopia and the United States. Criticism about the "base" from other African states, notably Libya of late, and from students and other elements of the Ethiopian population would be reduced or stilled. So would Congressional and other American critics of U.S. bases abroad.

Moreover, withdrawal from Kagnew would also reduce the security problem which the ELF poses to the station. If the ELF were to reverse its policy and assault Americans or Kagnew prior to any decision to withdraw, the station's basic indefensibility and reduced importance would appear to recommend a policy of no American military intervention, except perhaps to evacuate personnel, since the political risks, both in the United States and Ethiopia, would outweigh any likely benefits from intervention.

Finally, our departure would undercut one justification that the Soviets might use for their presence in Somalia.

While the Ethiopian government eschews use of the term quid pro quo, it realizes that Kagnew has provided a
substantial part of the rationalization with the Congress for our military assistance program. Moreover, Ethiopia views Kagnew as perhaps its most important link with the United States. Its closing, if accompanied by a cut in military assistance, would be regarded by the Emperor as foreshadowing a significant lessening of U.S. interest in and support for Ethiopia when that country is facing a troubled and uncertain future. 4/ In May, his concern about the future led the Emperor to request about $450 million in additional military assistance to meet the "threat" he perceives from recent Soviet arms shipments to Somalia and radical Arab support to the ELF.

There are widely diverse views among the agencies on the possible negative implications of our withdrawal and its repercussions on the economy of Eritrea, our relations with Ethiopia and possibly on the stability of the area. Those opposed to withdrawal in FY 74 believe it might provide a signal to the ELF, Somalia and the Soviet Union and other states in the area that could have far-reaching consequences. The Eritrean insurgents might interpret it as giving them a green light for attacks in the Asmara area and might attempt to gain credit for driving us out. The Somalis might think it a sign that they could raise the level of their confrontation with Ethiopia since our interest there would have declined. The Soviets might feel less obliged to counsel the Somalis to restraint. Some believe that any residual functions left at Kagnew might become more subject to ELF harassment since the reason for the present ELF policy not to attack Americans, i.e., fear of losing support because of the local population's recognition of Kagnew's positive contribution to the Eritrean economy and the additional assistance to Ethiopia's counter-insurgency efforts which attacks on Americans might provoke, would be vitiated. Pointing to the 1,600 local employees who would have to be reduced, they foresee serious economic repercussions in Eritrea and the loss of $10 million annually to the local economy. In addition, they believe similar economic and political repercussions could be expected from the abandonment of privately leased homes, the termination of payment on tract leases and cancellation of procurement contracts for milk, meat, fruits and vegetables. Ethiopian Airlines, too, would be hard hit by the loss of revenues.

Those supporting withdrawal in FY 74 acknowledge that there would be economic repercussions for the Eritrean

4/ DOD does not concur in this characterization of the Ethiopian government's views and of the Emperor's reaction to a withdrawal from Kagnew being linked to a cut in military aid.
economy but believe that a year's delay would not significantly change that result. Nor do they believe that such a delay would do more than delay for a year whatever strategic implications might be derived from our withdrawal. They also argue that, since some functions (MYSTIC STAR and STONEHOUSE) and U.S. personnel (about 100) would remain for the indefinite future, our withdrawal would not mean the "abandonment" of our interests in the area. In assessing Kagnew's military significance, they point to the fact that Kagnew was never more than a communications and intelligence facility and had no military potential, per se. Neither would a delay have any real effect on the Emperor's security situation nor lessen his aspirations for additional assistance. They believe, however, that our withdrawal would increase our flexibility in dealing with the Ethiopians, particularly in regard to MAP that has historically been hostage to our need for Kagnew. Finally, they state that keeping Kagnew open when there is no need for it during a period when domestic installations are being closed would expose us to serious Congressional criticism.

If we leave, we should discuss our plans as far in advance as possible with the Ethiopian Government and cooperatively determine such questions as the disposition of property, the release of local employees and other problems with a view to making the transition as painless to our relations as possible.

E. Future of U.S. Security Assistance to Ethiopia

Trying to satisfy Ethiopian requests for arms assistance is a perennial problem made more acute today by (1) heightened Ethiopian concern about the "threat"; (2) our proposed departure from Kagnew with the resultant loss of a major rationalization for our military assistance with Congress; and (3) growing Congressional opposition to all military aid and the likelihood of greatly reduced appropriations, especially for grants. Our problem is to determine the kind and level of security assistance that will continue to safeguard our interests in Ethiopia and the region.
Military assistance to Ethiopia has: promoted retention of Kagnew; helped "insure" the use of Ethiopian facilities such as Massawa during the 1967 Middle East war; improved the Ethiopian Government's internal security capabilities; supported the friendly regime of Haile Selassie which considers military assistance the crucial element in our relationship; promoted U.S. influence with current and potential leaders among the military and ruling elite; effectively excluded communist arms suppliers; and discouraged Somali efforts to upset the status quo in the Horn. On the negative side, it has increased Somali concern over Ethiopian military capability and allowed the Soviets to strengthen their influence in Mogadiscio, alienated some of Ethiopia's young educated class and contributed to an arms race in the Horn. It also has provided the Ethiopians with a richer military diet than their economy could otherwise afford or security requirements justify. So far, our military aid has not had the possible drawbacks of inciting ELF attacks on Kagnew or involving us in domestic Ethiopian or regional strife.

The $450 million military shopping list the Emperor presented to us last month represents the extreme Ethiopian reaction to the Somali "threat." But even a streamlined list would exceed what is likely to be appropriated by Congress and Ethiopian capabilities to absorb and to use.

Nonetheless, the appearance of going as far as we can to meet Ethiopian military concerns is important to preserving the relationship which has protected our interests in Ethiopia and the region. Given the grim prospects for grant MAP appropriations and the weakness of the Ethiopian economy, FMS credits on concessionary terms could be considered to supplement grant aid. Unless Ethiopia finds other security assistance sources or is prepared to allow its armed forces to become significantly weaker, its need for security assistance (MAP, FMS and training) totaling at least the $11-13 million level of recent years will remain, regardless of the date of our departure from Kagnew. This level, an increasing percentage of which might be credits, probably would be adequate to meet Ethiopia's needs, as we see them, in face of the Somali "threat." While it would not completely satisfy either the Emperor or the Ethiopian military, it would, nonetheless, help quiet the Emperor's concerns and give him time to rearrange
his own budgetary priorities. The desirability of providing immediately more aid in response to the Emperor's recent request should also be considered.

The issue is how we should plan to structure our future security assistance relations with Ethiopia—try to maintain grants at past or increased levels, supplement diminishing grant with credit assistance or determine now to phase down the program.

There are widely differing views within U.S. agencies on how best to structure this future relationship. Some believe that, because of the uncertainties of the future grant program, we should determine now to phase down the program over the next three years, supplementing reduced grant aid with $2-5 million annual credits (see page 53). The proponents of this view also believe that, by proposing to the Emperor at the time we inform him of our withdrawal from Kagnew that we are prepared to offer such a three-year program, the political impact of our withdrawal would be substantially mitigated, that it would give the Emperor time to find alternative sources of supply, complete the basic equipping of the units we have traditionally supported, and allow us to phase down our assistance program in an orderly manner with due regard for regional security.

Others believe that there is not only no advantage to our relationship to offer a three-year reduced grant program but that a multi-year commitment is unrealistic in view of the uncertainty of funds. They also believe that the $5 million grant program for FY-76 would be inadequate to maintain the existing forces with spare parts, attrition replacements and ammunition (currently costs about $7 million). They suggest adopting a flexible formula of combining grants and credits aimed at about a total of $12-13 million a year that they think would ensure our remaining Ethiopia's principal source of arms and, consequently, protect our interests in that country. They also propose initial credit in FY 74 of about $10 million as a supplement to our grant program (subject to Congressional action on our budget request) as a meaningful response to the Emperor's recent request to the President for equipment. Others believe that such an amount would tend to strain Ethiopia's debt-servicing capabilities and
suggest a smaller credit ($2-5 million) as more realistic to Ethiopia's financial needs.

If, as seems likely, a successor regime to Haile Selassie is based on the present military and civil elite, it would probably wish to continue its military relationship with the United States. In this case, no change in the level of our security assistance program would be anticipated. Even a radical, non-aligned military regime might wish to look to us for military assistance and, depending on circumstances, it might well be in our interest to respond positively. We would doubtless wish to curtail aid to any unfriendly successor government, but again circumstances, such as active American exploitation of Ethiopian gas or oil resources, might make a total cut-off undesirable.

F. Future Requirements for Economic Aid to Ethiopia

Although it is not possible to separate entirely the question of economic aid from the U.S. presence at Kagnew, the rationale for our economic assistance has been based more importantly on aiding the development of a populous African nation with rich agricultural potential and our broad interest in Ethiopia. Should we leave Kagnew and be obliged to reduce our military aid, economic aid would undoubtedly be the best vehicle for preserving our overall long-range interests in Ethiopia.

The level of U.S. economic assistance has been dependent on worldwide aid availabilities, Ethiopian self-help performance, a satisfactory economic growth rate, and the Ethiopian absorptive capacity. Annual assistance has varied because of the uneven flow of projects suitable for funding and the de-cycling of certain loans. Recent economic assistance levels have been (see Annex C for program details):

<table>
<thead>
<tr>
<th>FY</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>70</td>
<td>$15.6 million</td>
</tr>
<tr>
<td>71</td>
<td>13.8 &quot;</td>
</tr>
<tr>
<td>72</td>
<td>31.7 &quot;</td>
</tr>
<tr>
<td>73</td>
<td>8.6 &quot;</td>
</tr>
<tr>
<td>74 (proposed)</td>
<td>17.1 &quot;</td>
</tr>
</tbody>
</table>
Assuming only gradual improvements in the limiting factors cited above, we would estimate that current levels of aid are appropriate for the next five years. This would assume continued (and expanded) aid from other major donors.

An issue which arises in the context of the NSSM is whether economic assistance to Ethiopia might be increased to compensate for reduction in security assistance. This might take the form of (a) broadening the criteria for use of ongoing or planned A.I.D. programs in Ethiopia (in particular the Agricultural Sector Loan); and/or (b) providing additional A.I.D. funds for consumables for the Ethiopian armed forces. While continuing study should be given to this question, both alternatives would be difficult to justify in view of Ethiopia's present (but probably transiently) favorable balance of payments position; the limited availabilities of economic assistance funds; the supporting assistance character of the second alternative, and most importantly, the necessity for AID to adhere to development criteria in administering economic assistance programs.

G. Future U.S. Relationship with Somalia. Our present options in Somalia are circumscribed by the antipathy of the ruling Supreme Revolutionary Council (SRC) to us and by restrictions embodied in U.S. law. The latter, however, could be overcome by either changes in the law or a Presidential determination that aid to Somalia is important to U.S. security. We are faced with the issue whether our interests recommend a U.S. effort to improve relations with Somalia.

A resumption of aid appears to be a key to improved relations, although its effects in terms of influence might be marginal. It is the only "sign" of our good will that might crack SRC antagonism which, however, is somewhat less intransigent than in the past. The Somalis are seeking a more non-aligned image. Renewed American aid would contribute to that goal and help dispel the Somali myth that the United States is opposed to the Siad regime. It is doubtful that this aid would provide
us with much leverage in Mogadiscio or, in itself, divert the Somalis from their irredentist claims. It might, however, improve our access to the Somali leaders and give us an opportunity to encourage discreetly area accord. In this context resumption of U.S. economic aid at a modest level would probably be welcomed by Ethiopia and Kenya. We would also be in a better position to exploit any change in orientation of the SRC or in the regime.

Among the disadvantages of resuming development and humanitarian assistance is the danger of the Somalis' expecting much more assistance than we are able to give. In the past, the Somalis under friendlier regimes were never satisfied with existing levels of U.S. aid, which were probably greater than anything we could muster now. (From 1954 until 1970 when we were obliged to stop our aid, we gave Somalia almost $80 million in development assistance.) Thus the subsequent disillusionment could cancel out some of the good effects of the initial decision. Moreover, there would be no guarantee that American firms, ships and official personnel would not continue to face the harassment the SRC has accorded them. We would also have to meet the argument that in a period of decreasing aid appropriations, we should concentrate on our friends and not on difficult people like the Somalis.
VI. U.S. POLICY OPTIONS

Described below are policy options for each of the key elements of our relations with the region: our general approach to the area; Kagnew; Ethiopia; and Somalia. Segments of alternatives under each key element may be used selectively to achieve varying policy mixes.

A. General Approach

1. Alternative 1. Active approach to seek solutions. On the assumption that U.S. interests are best served by our playing an active part to reduce tension and thus to diminish Soviet ability to exploit the situation. Under this alternative, the United States might:

   a. encourage the Governments of Ethiopia and Somalia and, subsequently perhaps, Kenya to consider a formula designed to promote economic cooperation in the disputed region, including common measures to exploit, evacuate and profit from oil and other mineral resources found there, and to minimize questions of sovereignty.

   b. offer to assist the OAU good offices committee, through its chairman General Gowon and/or other members, in quietly trying to find a formula that might be acceptable to both parties;

   c. seek French, Italian and Soviet support for such an approach;

   d. encourage an agreement among countries of the area to limit their armed forces and military procurement;

   e. initiate talks with the Soviets (and French) with a view to limiting arms deliveries to the region;

   f. continue security assistance to Ethiopia as able within the narrowing limits of reduced appropriations and with any modifications which might be required by our arms limitation agreement;
g. try to involve the IBRD, UNDP and other interested countries with the United States in offering economic and technical assistance as an inducement to accept a formula.

Pro
This alternative would:

-- attack the problem which is at the heart of tensions in the Horn and, if successful, contribute greatly to stability and thus our long-term interests in the area;

-- take advantage of the recent OAU recognition of responsibility for cooling the Ethio-Somali dispute;

-- make the most of the short period remaining for the Emperor to facilitate a solution;

-- probably improve our standing with Somalia;

-- reduce the likelihood that unfriendly powers would be able to consolidate their position in the Horn;

-- capitalize on Soviet interest in reducing pressures for military and economic aid to Somalia;

-- offer hope for similarly reducing pressures on us for military aid;

-- improve prospects for American access to the important oil and other natural resources which increasingly seem likely to be found in the Ogaden;

-- widen horizons for economic development throughout the Horn, including regional cooperation;

-- remove a minor source of Arab animosity to Ethiopia.

Con
This alternative would:

-- involve us too closely in a possibly insoluble problem;

-- risk feeding Somalia's irredentist appetite and causing it to harden its demands;

-- risk alienating the Emperor and his Government by proposing measures to which they might inalterably be opposed;
-- similarly risk alienating a friendly Kenyan Government;

-- open us to charges of interference in African internal affairs;

-- at a time of lowering AID resources, risk increasing expectations of assistance beyond our means;

-- encourage the Soviets, radical Arabs and others to think we are less concerned about Ethiopia, thus giving the Soviets and unfriendly Arab states an excuse to take a more active role in the Horn;

-- encourage die-hard elements in the Ethiopian military to take preemptive action against Somalia.

2. Alternative 2. Primary orientation toward Ethiopia and Kenya; maintain minimal relations with Somalia. On the assumption that U.S. policy interests are best served by continuing to afford Ethiopia and Kenya military, economic and diplomatic support in meeting internal and external threats and by leaving Somalia alone. Under this alternative the United States might:

a. maintain or increase military assistance to Ethiopia;

b. maintain or increase economic assistance to Ethiopia and Kenya;

c. maintain some U.S. presence at Kagnew;

d. provide Ethiopia and Kenya with diplomatic support against Somali irredentism;

e. give Ethiopia diplomatic backing and intelligence cooperation in its efforts against the ELF;

f. encourage French cooperation with Ethiopia in case they decide to leave the TFAI;

g. maintain low diplomatic profile and minimal Embassy staffing in Somalia.

Pro
This alternative would:

-- recognize that U.S. interests are greater in
Ethiopia and Kenya than in Somalia;

-- show our responsiveness to the Emperor's and Kenyatta's concerns;

-- strengthen the position of Ethiopia and Kenya in resisting Somali or other threats;

-- support the economic development and internal stability of Ethiopia and Kenya;

-- help assure the continued Western orientation of Ethiopia and Kenya;

-- minimize the chances for a significant increase of Soviet and radical Arab influence in Addis Ababa and Nairobi;

-- reinforce any Ethiopian disposition to collaborate with American firms in exploiting potentially large finds of oil and gas in the Ogaden, though probably precluding export of oil through Somali territory.

Con

This alternative would:

-- do nothing to find a solution to the most destabilizing problem in the area--Somali irredentism;

-- give impetus to an arms race;

-- increase African and Arab hostility towards Ethiopia as an outpost of Western imperialism;

-- insure Somali enmity;

-- stimulate greater Somali pressure, possibly even military initiatives, against the Ogaden;

-- reinforce the Soviet and Chinese positions in Somalia;

-- impose continued demands on dwindling aid resources.

3. Alternative 3. Inactive policy with more balanced relations with Ethiopia, Somalia and Kenya. On the assumption that U.S. interests are best served by keeping a low profile and maintaining good or correct relations with all parties. Under this alternative the U.S. would:
a. maintain economic assistance to Ethiopia and Kenya at about recent levels;

b. examine the possibilities for renewal of modest economic aid to Somalia if Somalia ends trade of its ships with Vietnam and Cuba, legislative prohibitions against aid resulting from this trade should lapse, or a Presidential determination is sought and obtained;

c. phase out military assistance appropriations requests for grant aid;

d. phase out military presence in Ethiopia;

e. consider ways we might improve our contacts with Somalia;

f. continue quietly to encourage the parties to maintain a dialogue and to resolve their differences through peaceful means;

g. support discreetly any initiatives by other means to limit arms shipments to the Horn.

Pro

This alternative would:

-- avoid active American involvement in the Horn's intractable problems;

-- avoid accusations of our attempting to interfere in what is essentially an African matter;

-- indicate our continued interest in good relations with all three countries;

-- be a reasonable adjustment to anticipated military aid fund cuts;

-- open the prospect for somewhat better relations with Somalia;

-- perhaps encourage any Somali interest in a less Soviet-tilted stance;

-- contribute modestly to area development.

Con

This alternative would:

-- leave the Somali irredentist problem to fester unless others take initiatives to resolve it;
-- be unlikely to influence a curtailment of Soviet arms deliveries to Somalia;

-- in the opinion of some, attach undue importance to our interests in Kenya and Ethiopia;

-- do little to forestall any Soviet attempt to increase its influence in Ethiopia and Kenya;

-- possibly lengthen the period before any oil or gas resources found in the Ogaden could be exploited;

-- perhaps contribute to any move among the Ethiopian military for pre-emptive action against Somalia or for turning to others for military aid.

4. Alternative 4. Actively pursue policy options which relate U.S. and Ethiopian interests in the Horn to U.S. interests in the Arabian Peninsula and the Persian Gulf area. On the assumption that U.S. interests are best served by a recognition that the strategic significance of the Horn area for the United States has shifted out of a continental African context and into a southwest Asian regional complex. On the further assumption that the focus of interest in this complex will be on assuring the availability of the energy resources concentrated in the Arabian Peninsula and the Persian Gulf. Finally, on the assumption that, whether or not the Suez Canal opens, the orientation of the Horn area in general and of Ethiopia in particular will have special importance to us because these countries lie on the flanks of the tanker routes from the Persian Gulf to the United States and to our allies/competitors in Western Europe. Under this alternative the United States might:

a. be prepared, using whatever influence we can muster, to combat any effort of radical nationalist Arab governments to "move in" on the Ethiopian scene after the Emperor's death;

b. encourage the Ethiopians to play some role in maintaining open access to the Red Sea and in both directions through the Straits of Bab al Mandeb; offer whatever support we can to increase the capabilities of an Ethiopian naval force;

c. encourage the Ethiopians to recognize a growing community of interest with the Saudi Government, admitting at the same time to ourselves that the degree of active cooperation that can be achieved between the Ethiopians and Saudis will be limited and will focus only on very special...
targets, such as the self-styled Marxist regime in Yemen (Aden); similarly encourage increased collaboration with Sudan, and the development of collaboration with Iran;

d. accept as fact the likelihood that there will be no solution to the Ogaden problem, and, while continuing to urge the Ethiopian and Somali leaders to be reasonable men, in fact do nothing to discourage the Ethiopians from taking a firm line with the Somalis;

e. retain as much presence in Somalia as conditions permit, while continuing to point out to the Somalis the fact that their association with the Soviets effectively undercut any influence we might be able to exercise on their behalf with the Ethiopians; maintain a posture that, at least by implication, suggests to the Somali Government that a different outlook towards the Soviets might be more conducive to Western assistance;

f. continue to support and strengthen the Ethiopians' ability to control dissidence in Eritrea, at the same time continuing to look for opportunities to influence the Ethiopians to take practical steps and to offer longer-term prospects that might make their administration more acceptable;

g. continue to encourage the development of cooperation between Kenya and Ethiopia vis-a-vis Somalia, emphasizing that what Kenya and Ethiopia should be looking for and hoping to produce is a change of attitude on the part of Somalia that will permit them to offer some alleviation of Somalia's problems that cannot be offered under present circumstances; recognize, however, that our encouragement can not promise early results;

h. keep our military and economic aid to Ethiopia at a level in quantity, but especially in quality, that assures the Ethiopians of our desire for a continuing relationship that is important to us; conversely, our aid relationship with the Somalis should not be permitted to develop in any way that would give the Somali Government hope that it could work with us while retaining the kind of relationship it now has with the Soviets.

Pro

This alternative would:

-- make clear to both our friends and our enemies that the United States believes it has an important interest to defend in the Horn and southwest Asia and in Ethiopia;

-- demonstrate to the Somalis that providing facilities to the Soviets does not pay major dividends from the United States;
help to reassure Saudi Arabia, one of the focuses of our future interest in southwest Asia, that we mean to preserve our interest in the region as a whole; help keep open the possibility that at some future date we might be able to use Ethiopian facilities to meet strategic requirements that we cannot now precisely see.

Con

This alternative would:

-- convince radical nationalist Arab leaders that the United States is their inveterate enemy and that it intends to use Ethiopia as a base of operations against them in southwest Asia;

-- imply a willingness to use force in a situation where the Nixon Doctrine appears to proscribe it;

-- turn the Somalis further towards the Soviets than they have already gone;

-- make resolution of the problem of Somali irredentism more difficult, thus adding to the tensions in the Horn that continue to threaten our interests there;

-- by over-rating our ability to influence the countries in this area, create false expectations for its success;

-- involve the United States in a strategy that would be difficult to support, given the limited assets in military and economic aid that realistically will be available;

-- encourage a competition for influence in this region, not only with the Soviets and Chinese, but even to some degree with our European allies, and this at a time when we will be trying to develop a cooperative approach to the problem of access to energy resources;

-- diminish the hope that the present Somali Government could be brought to improve relations with us, as it has given some slight signs of wanting to do, and that a successor to the Siad regime would be able to do so either;

-- by assuming falsely that Ethiopia has resources beyond those required to defend itself against the ELF and Somalia, assign Ethiopia a role in regional defense it would not be able to fill;

-- by overestimating the real prospects of developing significant cooperation between the Ethiopians and the
Saudis, might worsen rather than better their relations.

B. Kagnew

1. Alternative 1. With the exception of the residual functions (STONEHOUSE and MYSTIC STAR), close Kagnew by June 30, 1974. On the assumption that US interests are best served by early withdrawal, coupled with an annual saving of about $12 million, and that the political-economic effects of an early closing are manageable and in any event would not be lessened by delaying withdrawal. Under this alternative the United States might:

   a. immediately inform the Ethiopian Government of our plans, explaining that technological advances and budgetary stringencies necessitate the reduction;

   b. implement contingency planning for withdrawal, with the greatest deference to relations with Ethiopia and care to ease the impact on the local population as much as feasible;

   c. consider increasing the frequency of COMIDEASTFOR ship visits and visits by USG officials as a means of demonstrating continuing USG interest;

   d. suggest to the Soviets that it is to the mutual advantage of the US Government and the Soviet Union to limit their involvement in the area and express the hope that our military phase-down will allow them to make a similar gesture in the interest of reducing tensions in the Horn;

Pro

This alternative would:

-- realize annual $12 million savings to the Navy at the earliest time feasible;

-- lessen the vulnerability and the future risk of ELF attack on those functions moved from Kagnew;

-- lessen the risk of our being identified with the success or failure of Ethiopia's counterinsurgency efforts and with repressive IEG actions against the Eritrean population;

-- increase our flexibility in dealing with the Ethiopian Government, particularly during the uncertain situation that might follow the Emperor's death;
-- deprive the Arabs of one good theme for anti-U.S. propaganda;

-- lessen domestic Ethiopian and third-world criticism directed against Ethiopia for permitting a U.S. base;

-- preclude the risk of Congressional criticism that the Administration is closing military bases in the United States while continuing to operate a redundant military facility in Ethiopia;

-- allow the consolidation of Navy communications operations at a probably more politically secure location (Diego Garcia);

Con

This alternative would:

-- probably be viewed by the Emperor as a reflection of reduced US interest in Ethiopia;

-- risk signaling to Somalia, the ELF, the Arabs and the Soviets a diminished US interest in Ethiopia;

-- make it unlikely we could capitalize fully on the possibility of using our departure from Kagnew as a lever to lower the Soviet presence in the region;

-- pose significant local economic problems in Eritrea;

-- by decreasing our influence on the Ethiopian Government, reduce our flexibility;

-- degrade our strategic communications capability for about two years.

2. Alternative 2. With the exception of residual functions, close Kagnew by June 30, 1975 with the objective of allowing sufficient time for a special effort to alleviate the impact on the region, including reaching agreement with Ethiopia on future security assistance levels. On the assumption that loss in savings caused by a year's delay in closure should be accepted in order to limit the politico-economic repercussions of the closure. Under this alternative the United States might:
a. inform the Ethiopian Government of our plans, explaining that technological advances and budgetary constraints led to our withdrawal, and of our intention to ease the transition by arranging in cooperation with Ethiopian officials for the orderly disposition of property, release of employees, etc., and by offering the military assistance package described in Section VI-C in phasing down our military relationship;

b. begin implementation of the withdrawal in January, 1975 after appropriate discussion with Ethiopian officials;

c. express to the Soviets our hope for a mutual reduction in our military presence in the Horn and a hint that we are considering leaving Kagnew and explore whether the Soviet Union would make a reciprocal move to lower tension.

Pro

This alternative would:

-- help ease the impact of our withdrawal and lessen the negative impact on our bilateral relations;

-- help meet some of Ethiopia's most urgent security requirements;

-- lessen the immediate economic impact in Eritrea of our withdrawal;

-- limit in time the security threat posed to Kagnew by the ELF;

-- delay the risk of giving a false signal to the ELF and Somalia about our interest in Ethiopia;

-- allow us more time to use our departure as a lever to try to reduce the Soviet presence in the area;

-- help keep open the possibility that at some future date we might be able to use Ethiopian facilities to meet strategic requirements that we cannot now precisely see;

-- reduce the time during which our strategic communications would be degraded because Kagnew was cut back while Diego Garcia was not operational.
Con

This alternative would:

-- incur an additional cost of about $12 million;
-- delay removal of the continuing security threat the ELF poses to Kagnew;
-- postpone the moment when Kagnew will cease being a possible political embarrassment to Ethiopia and the United States;
-- risk serious Congressional criticism, if at a time we are making sweeping adjustments to our domestic installations, affecting thousands of U.S. jobs, it were known that we were keeping Kagnew open because of foreign policy implications.

3. Alternative 3. Retain Kagnew for the foreseeable future. On the assumption that our presence in the region outweighs the considerable savings which would result from an early closing and the risk of ELF attack on Kagnew. Under this alternative the United States would:

a. inform Ethiopia that, after a review of the situation, we had decided it would be in our mutual interest to remain at Kagnew for the foreseeable future;

b. study ways to improve Kagnew's security.

Pro

This alternative would:

-- maintain an American military presence in Ethiopia and the Horn;
-- avoid the adverse economic and political repercussions in Ethiopia our departure might entail;
-- demonstrate to Ethiopia, Somali, the Soviet Union and others our continuing interest in the area;
-- maintain our strategic communications ability without a break.

Con

This alternative would:

-- eliminate the savings a move from Kagnew would
provide, about $12 million annually;

-- represent a misapplication of resources since there are means other than retaining our base at Kagnew by which we can assert our presence and interest in the Horn;

-- take insufficient account of the security threat the ELF continues to represent for Kagnew;

-- exacerbate political repercussions in the United States over closing bases at home while maintaining non-essential bases abroad;

-- in view of dwindling security assistance appropriations, create expectations of military assistance we would probably not be able to fulfill;

-- not reassure Somalia about our pacific intentions;

-- risk encouraging the Ethiopian military to overestimate the degree of our support in any confrontation with Somalia.

C. Ethiopia

1. Alternative 1. Maintain current levels of grant military ($11-13 million) and economic support ($15-20 million), on the assumption that current levels will best continue to preserve U.S. interests in the Horn.

Under this alternative the United States might:

a. inform Ethiopia that we shall attempt to maintain current levels of military assistance, but warn that reduced levels of grant appropriations may make this impossible;

b. attempt to retain $11-13 million in annual grant MAP levels for Ethiopia;

c. reassure the Ethiopian Government of our continuing interest in Ethiopian security;

d. tell Ethiopia of our intention to maintain, within the limits of appropriations and on the assumption of continuingly successful Ethiopian development efforts, our economic aid levels.
Pro
This alternative would:

-- provide a modicum of initial reassurance to the IEG;

-- although creating false expectations, provide no commitment which we would be unable to fulfill;

-- help meet Ethiopia's development needs;

-- go farthest towards preserving and enhancing our positive relationship with Ethiopia, assuming we are reason-
ably successful in obtaining funds for economic and military assistance;

-- on the same assumption, provide an "insurance policy" for our use as in the 1967 Middle East war of Ethiopian port facilities;

-- recognize significant US interests in Ethiopia which will outlast our stay at Kagnew.

Con
This alternative would:

-- raise Ethiopian expectations beyond realistic projections of military assistance appropriations possibilities with resultant future disillusionment;

-- mislead the Emperor into believing US military aid will continue indefinitely;

-- not likely result in sufficient funds to provide attrition replacements for the units we have traditionally supported, since it is doubtful that a full $11-13 million MAP program is achievable;

-- at best, result in a level of military aid which would still only partially satisfy the Ethiopian Government;

-- ignore the budgetary uncertainties that are likely to make it necessary to begin considering a phase out of our grant military program.

2. Alternative 2. Phase down military assistance. On the assumption that shrinking resources will require a cut-
back in military aid, but that our interests in the Horn can be preserved by maintaining economic assistance at
historic levels. On the assumption, further, that our interests and Ethiopian concerns would best be served by phasing down our assistance through offering a package providing for military aid spread over a three-year period about equal to past years' levels, and providing further for a gradual lowering of grant levels and increase in FMS credits, with credits and grants if available to be continued at a lower level, while maintaining economic assistance levels.

Under this alternative the United States might:

a. at the time we tell the Ethiopians of our intentions for Kagnew, inform them about our plan for phasing down our grant military aid and moving from grant to credit assistance, explaining the appropriations limitations necessitating our action, and offering the following approximate assistance package:

   (In $ Millions)

<table>
<thead>
<tr>
<th></th>
<th>FY 74</th>
<th>FY 75</th>
<th>FY 76</th>
</tr>
</thead>
<tbody>
<tr>
<td>MAP (Mat.)</td>
<td>10.5</td>
<td>7.5</td>
<td>4.5</td>
</tr>
<tr>
<td>SUB OPS</td>
<td>1.2</td>
<td>1.0(a)</td>
<td>.8(a)</td>
</tr>
<tr>
<td>SUB-TOTAL</td>
<td>11.7</td>
<td>8.5</td>
<td>5.3</td>
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<tr>
<td>FMS</td>
<td>2.0(b)</td>
<td>4.0</td>
<td>5.0</td>
</tr>
<tr>
<td>MIL. EDUCATION &amp; TRAINING</td>
<td>.8</td>
<td>.8</td>
<td>.8</td>
</tr>
<tr>
<td>TOTAL SECURITY ASSISTANCE</td>
<td>14.5</td>
<td>13.3</td>
<td>11.1(c)</td>
</tr>
</tbody>
</table>

(a) Supply operations costs estimated (10 percent of preceding year MAP).
(b) $2.0 million has been earmarked for Ethiopia.
(c) Three-year (FY 74-FY 76) Total - $38.9M.

b. reassure the Ethiopian Government of our continuing interest in Ethiopian security;

c. tell Ethiopia of our intention to maintain, within
the limits of appropriations and on the assumption of continuingly successful Ethiopian development efforts, our economic levels.

Pro
This alternative would:

-- conform to realistic projections of military assistance appropriations levels;

-- at a moment when the Ethiopians' perception of threat is high, by offering continued assistance over three years tend to initially reassure them and soften the impact of our withdrawal from Kagnew; 4/

-- provide for continuing useful cooperation by Americans with the IEG military whose influence is likely to grow;

-- give the Emperor time to rearrange budgetary priorities and find alternative sources of supply;

-- complete the basic equipping of the units we have traditionally supported; 4/

-- phase out our military program in an orderly manner with due regard for regional security;

-- accord with Ethiopia's limited ability to assume further credit obligations without disrupting development efforts;

-- recognize significant U.S. interests in Ethiopia which will outlast our stay at Kagnew;

-- make a reasonable effort to preserve our positive relationship with Ethiopia;

-- provide some "insurance" for future use of Ethiopian port facilities during crises, such as the 1967 Middle East war.

4/ DOD does not agree that is is reasonable to assume that the Emperor would be reassured about anything were we to inform him that we were intending to reduce our grant program as radically as proposed. Moreover, DOD believes the basic equipping of Ethiopian units has been completed, although modernization of some items such as small arms is continuing.
Con

This alternative would:

- not fully meet the Emperor's desire for additional military assistance, and be a disappointment to the Ethiopian military;

- require difficult-to-achieve agreement within the US Government on a multi-year security package;

- might encourage the Ethiopian Government eventually to turn to the Soviet Union for military aid;

- by reducing grant assistance, not soften the impact on Ethiopia of our withdrawal nor reassure the Emperor;

- be less obviously forthcoming than alternative 1, 3 or 4 and thus be more likely to cause an early deterioration in U.S.-Ethiopian relations.

3. Alternative 3. Supplement limited grant material assistance program with appropriate levels of FMS credit as availability of grant diminishes. On the assumptions that: availability of grant funds is at best likely to continue to be inadequate to accommodate any significant new equipment items; U.S. interest in Ethiopia can be preserved by maintaining our role as principal arms supplier by supplementing inexorably declining grant with credit assistance; US withdrawal from Kagnew can be implemented without linking it to future levels of security assistance with the Ethiopian Government.

Under this alternative the United States might:

a. authorize Embassy/MAAG in its review of the recent Ethiopian shopping list, and within the forum of the USG-Ethiopian Priorities Committee, to offer up to $10 million in FMS credits in FY 74 for priority items to supplement planned grant aid but with a view toward avoiding inclusion of items that would heighten the nascent arms race with Somalia (illustrative $10 million program at Annex D);

b. plan on continuing indefinitely grant component of about $8 million annually (primarily attrition items and training) and offering about $5 million annually in FMS credit for investment items (mix of grant and credit will vary depending on availability of funds, but with combined target of about $12-13 million annually).
c. continue restrictions against direct USG involvement with Ethiopian counterinsurgency effort in Eritrea.

Pro

This alternative would:

-- provide flexibility in its funding formula in recognition of the projected uncertainties of funds from Congress, but still partially accommodate Ethiopian priority security needs;

-- demonstrate a meaningful USG response to the Emperor's request to the President for additional security requirements;

-- be likely to preserve USG primacy with the Ethiopian military;

-- be responsive to Ethiopia's realistic military requirements and, depending on Soviet designs in Somalia, perhaps preserve Ethiopian superiority;

-- probably avoid provision of equipment in excess of Ethiopia's absorptive capacity;

-- by posing the need for the Ethiopian Government to weigh perceived requirements against its funds, could result in a more reasoned assessment by the Government of its real needs;

-- avoid any multi-year commitment against uncertain USG funds;

-- preserve the integrity of the USG-Ethiopian Priorities Committee;

-- limit the opportunities for an increased role in Ethiopia of the Soviets or the Chinese;

-- provide some "insurance" for the use of Ethiopian facilities in crisis situations such as the 1967 Middle East War.

Con

This alternative would:

-- not be viewed by Ethiopia as fully responsive to its perceived needs;
-- be apt to increase Somali pressure on the Soviets for additional arms;

-- continue the risk that the United States could be tarred by a possible Ethiopian punitive strike or open hostilities with Somalia;

-- further alienate radical students opposed to U.S. military support of Ethiopia;

-- be dependent on the very uncertain availability of $10 million in FMS credits for Ethiopia in FY 74;

-- tend to make post FY-74 security assistance almost totally a function of appropriations levels which are likely to be insufficient to meet projected needs;

-- if $10 million in FMS credits in FY 74 were available, perhaps prematurely impose too great a debt burden on the Ethiopian economy;

4. Alternative 4. Expand security assistance. On the assumption that our interests in the Horn require greater military assistance and the maintenance of current economic assistance levels.

Under this alternative the United States might:

a. inform Ethiopia that we shall attempt to increase current levels of assistance, probably through FMS credits but warn that reduced levels of appropriations may make this impossible;

b. attempt to obtain increased levels, in the $20 million a year range, for Ethiopia;

c. tell the Ethiopian Government of our intention to maintain, within the limits of appropriations and on the assumption of continually successful Ethiopian development efforts, our economic aid levels

Pro

This alternative would:

-- provide great initial reassurance to Ethiopia;

-- help meet Ethiopia's development needs;

-- strengthen U.S.-Ethiopian relations:
-- discourage the Ethiopians from turning to the Soviet Union or elsewhere for military aid.

Con
This alternative would:
-- by raising Ethiopian expectations of security assistance beyond our probable ability to fulfill them, antagonize the Emperor and the Ethiopian military;

-- make no provision for phasing down military assistance as reduced appropriations indicate is necessary;

-- if implemented, could contribute to an arms race in the Horn and antagonize Somalia;

-- if implemented, possibly exaggerate the importance of U.S. interests in Ethiopia and the Horn;

-- encourage excessive military spending by Ethiopia and the maintenance of armed forces at a level exceeding its real needs and possibly the long-term funding capacity of the Ethiopian Government;

-- perpetuate U.S. military involvement in the Horn and continue U.S. exposure to criticism concerning its military aid to Ethiopia.

D. Somalia.

1. Alternative 1. Passive approach. On the assumption that we have only minimal interests in Somalia and that Somalia cannot adversely affect our significant interests in Ethiopia or elsewhere in the region of the Horn, maintain a low-keyed relationship with Somalia and make no effort to re-establish an aid program there. Under this alternative the United States might:

a. refrain from extending bilateral aid to Somalia with the possible exception of humanitarian assistance;

b. maintain correct relations but refrain from exchanging high-level visits;

c. maintain a modest cultural exchange program;

d. maintain a low diplomatic posture and minimum Embassy staffing;

e. encourage Italy to remain as a standard-bearer for Western interests;
f. maintain our close relationship with Ethiopia;

Pro

This alternative would:

-- recognize the low level of U.S. interests in Somalia;

-- be consistent with the view that the Soviet role in Somalia is apt to be relatively limited and unlikely to pose a threat to U.S. interests in the area;

-- conserve U.S. aid resources for use in higher priority countries where U.S. interests are greater;

-- minimize the number of disagreeable incidents likely to arise between the Somali authorities and official American personnel stationed in Somalia.

Con

This alternative would:

-- inhibit improved U.S. relations with Somalia and perpetuate Somali opposition in international forums to U.S. policies;

-- perpetuate Soviet influence in Somalia;

-- do nothing to lessen the danger of a Somali-Ethiopian conflict over the Ogaden or FTAI or to inhibit an arms race in the Horn;

-- do nothing to encourage the growth of moderate influence within the Somali Supreme Revolutionary Council;

-- do nothing to facilitate U.S. access to oil or natural gas supplies which may become available in commercially exploitable quantities in Ethiopia or Somalia;

-- ignore recent indications that the Somali Government wishes to extricate itself from its close relationship with the Soviet Union and adopt a more truly independent position;

-- ignore that the Soviet role in Somalia has the potential for posing a threat to U.S. interests in the area.
2. Alternative 2. Active approach. On the assumption that regional peace and stability in the Horn of Africa would be beneficial to our interests there as well as in Kenya and neighboring areas, make a special effort to improve our relations with Somalia to include obtaining Presidential approval for restoring an AID program or, failing that, resume aid to Somalia as soon as it may become legally possible. Under this alternative the United States might:

a. obtain a Presidential determination that aid to Somalia is important to U.S. security and resume bilateral aid;

b. increase our cultural exchange program and encourage the exchange of visits by high Somali and U.S. officials;

c. take a forthcoming attitude with respect to matters under dispute with Somalia as a result of our earlier aid program, such as not demanding payment on an unfortunate loan agreement;

d. maintain a low diplomatic posture and minimal Embassy staffing;

e. continue to maintain our close relationship with Ethiopia but gradually decrease our military assistance to that country;

f. encourage Italy and Western Germany to maintain or expand their aid programs in Somalia and to support initiatives for a Somali-Ethiopian settlement.

Pro

This alternative would:

-- improve U.S. relations with Somalia and allow us thereby to use improved access to Somali officials to pursue a reduction of tensions and Soviet presence in the Horn;

-- tend to encourage a peaceful settlement of Somalia's irredentist disputes with its neighbors;

-- tend to discourage an arms race in the Horn;

-- give the Somalis an alternative to reliance on the USSR for aid and political support;

-- improve the chances for U.S. access to any oil discovered in commercial quantities in the Horn;
bolster the influence of moderate forces on the Supreme Revolutionary Council:

be well received by Italy, which has been urging us to develop closer relations with Somalia.

Con

This alternative would:

-- attach too much importance to improving our position in Somalia despite the low level of our interests there;

-- divert scarce U.S. aid resources from higher priority areas;

-- lead to possible problems arising from Somali harassment or misunderstanding of AID personnel working in Somalia;

-- be unable to provide sufficient aid resources to satisfy Somali expectations and therefore might not succeed in reducing the Somali Government's resentment of the United States;

-- arouse Ethiopian suspicions about continued U.S. interest in Ethiopia.