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THE WHITE HOUSE
WASHINGTON

June 26, 1975

Presidential Determination
No. 75-24

MEMORANDUM FOR THE SECRETARY OF STATE

SUBJECT: Provision of Foreign Military Sales
Credit to Ethiopia at a Reduced Interest
Rate

Pursuant to the authority vested in me by Section 23 of the Foreign Military Sales Act, as amended, I hereby certify that the provision of \$25 million in FMS credits to Ethiopia for FY 75 at an interest rate of 5% is required by the national interest of the United States.

You are directed on my behalf to report this certification to the Congress, together with the attached justification therefor.

This finding shall be published in The Federal Register.

Gerald R. Ford

RECEIVED
JUN 30 1975
CENTRAL FILE
DOD (CO)

dispatched 6/26/75 w/outside recpts - Orig & 1-AID, 2 xr cya to S/S & OMB, 1 xr -

THE WHITE HOUSE

WASHINGTON

~~CONFIDENTIAL~~ - GDS

Justification for Presidential Determination to
Authorize the Provision of Foreign Military Sales
Credits to Ethiopia at a Reduced Interest Rate

The Foreign Military Sales Act, as amended, specifies that credits extended to foreign governments for the purchase of military equipment from the United States Government can be provided either at an interest rate equal to the cost of money to the United States Government or at a lower rate, if the President certifies and justifies to the Congress that the national interest so requires. The use of the higher rate for Fiscal Year 1975 military credits to Ethiopia would represent an increase over the rate of 5 percent used for the Fiscal Year 1974 credits. This increase could have a detrimental effect on the Ethiopians' attitude toward the United States at a time when the relations between our two countries stand at a critical juncture and the future course of Ethiopia is uncertain. Therefore, it is in the national interest of the United States to apply the lower interest rate of 5 percent to military sales credits extended to Ethiopia in Fiscal Year 1975.

~~CONFIDENTIAL~~ - GDS

KR 4-12-86


THE WHITE HOUSE
WASHINGTON

2770

ACTION~~SECRET~~ - GDS

June 24, 1975

MEMORANDUM FOR: THE PRESIDENT

FROM: HENRY A. KISSINGER 

SUBJECT: Presidential Determination on Credits
for Ethiopia

You recently reviewed the question of providing credits for military sales to Ethiopia at concessional rates (Tab B) and, noting the reference to an ongoing study of US policy on arms sales worldwide, indicated your preference to await the outcome of that study before making a decision on the determination for Ethiopia.

The pending study addresses arms transfer policy generally and does not deal with Ethiopia per se. It is focussed upon our policies for FY '76 and beyond and will not impact upon FY '75 programs. Although the study is not yet complete, it is the unanimous view of the participating agencies that future military sales approved for the poorest countries should be negotiated at concessional interest rates. This principle applies in the case of Ethiopia -- the poorest country with which we have a current sales agreement.

Credit agreements with the Ethiopians for military purchases must be signed before July 1, and in the absence of a Presidential Determination directing concessionary terms, these agreements will have to specify commercial rates of interest.

Consequently, I request your reconsideration of the matter and your approval of the Presidential Determination at Tab A.

RECOMMENDATION

That you sign the Presidential Determination at Tab A.

~~SECRET~~ - GDS

KR 4-12-88

THE WHITE HOUSE
WASHINGTON

General: Bud has rewritten memo at
Tab I. He said this must go to the
President today.

Mary

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

Retype Tab I

2770

SECRET-GDS

June 23, 1975
URGENT ACTION

MEMORANDUM FOR BRENT SCOWCROFT

FROM: Hal Horan *HH*
SUBJECT: Presidential Determination on Credits for
Ethiopia

Attached is the memorandum to the President which you requested this morning explaining why he should not wait until a NSSM on general arms transfer policy is completed before signing a Presidential Determination on Ethiopia.

RECOMMENDATION

That you forward the attached memorandum at Tab I to the President.

Attachment

Tab I.

SECRET-GDS

KR 4-12-98

MEMORANDUM

NATIONAL SECURITY COUNCIL

2770

~~SECRET~~ - GDS

ACTION
June 21, 1975

MEMORANDUM FOR SECRETARY KISSINGER

FROM: Hal Horan *HH*

SUBJECT: Presidential Determination on Credits for Ethiopia

I understand the the President has reviewed your memorandum to him on the above subject (Tab A) and, in view of the reference therein of a current study of U. S. policy on arms sales soon to be submitted for SRG review, indicated he wishes to await the outcome of that study before making a decision on the PD. The study referred to in your memorandum is a review of general arms transfer policy rather than on policy toward Ethiopia. There is no such review of our Ethiopian program currently contemplated and soft credit terms for the FY 75 FMS program for Ethiopia is an essential part of our overall military assistance to the new military government. The Presidential Determination must be made as soon as possible since the credit agreements with the Ethiopians must be signed before July 1.

Consequently, I strongly urge that you raise the matter personally with the President Monday morning, June 23, and request that he sign the Presidential Determination.

Clint Granger's office concurs.

~~SECRET~~ - GDS

KR 4-12-88

THE WHITE HOUSE
WASHINGTON

See R

Why not wait until
Senior Review on June 20th

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

SECRET - GDSACTION

June 10, 1975

MEMORANDUM FOR: THE PRESIDENT

FROM: HENRY A. KISSINGER *HK*

SUBJECT: Presidential Determination on Credits for Ethiopia

Mr. Ingersoll has requested you to make a Determination which will make possible a five percent interest rate for \$25 million in FY 75 FMS credits for Ethiopia (Tab B).

This rate is below that which the U.S. Treasury will pay for the funds this year (about eight percent) and Treasury takes the view that Ethiopia's relatively high reserves and high balance of payments surplus argue for commercial rates. Nonetheless, as Mr. Ingersoll points out, Treasury interposes no objection to the Determination in view of the Department of State's belief that there are overriding political considerations.

State agrees that, at present, Ethiopia appears to be able to repay a loan at commercial rates. Ethiopia's long-term financial outlook, however, is not promising.

State also argues that the credit rate this year should not be higher than the five percent concessional rate we provided last year. To do otherwise, State believes, would negate the favorable impact of the increase in credits we have provided this year. DOD concurs in the State recommendation.

To maintain our favored position in Ethiopia after the change in government last year, and to promote the stability of the Horn of Africa after the build-up of Soviet weapons in Somalia, we have in the past year dramatically increased the amount of military assistance (FY 74 - \$22.3 million; FY 75 - \$37.5 million).

I believe it is in the national interest of the United States to provide Ethiopia with concessional credits as well as the proposed increase in credits from \$11 million last year to \$25 million this year. An increase in credits would have been desirable for Ethiopia previously but was impossible because of the \$40

DECLASSIFIED

E.O. 12356, Sec. 3.4.

SECRET - GDSMR 92-66, #24 NSX 14. 9/19/95By YBH NARA, Date 10/30/95

million African ceiling, which Congress gave you the authority to waive only this year and which you exercised on May 20.

Much of the recent increase in our military supply relationship is in the form of cash sales. Last year our sales were \$0.5 million. This year they will probably amount at least to \$100 million. This is the root reason for the increase in our credits from \$11 million last year to \$25 million this year.

I believe in fact that the potential problem of justification lies not with the concessional rate of interest or with the increase in credits, but with growing Congressional hostility to U.S. military sales.

The increase of sales in Ethiopia may contribute to the strong Congressional criticism of arms sales in general. Congressional critics of arms sales may point out that Ethiopia is one of the poorest countries in Africa and the world. Critics may also claim that the new military regime is unstable and includes leftists who are potentially unfriendly to the U.S. Others could echo the concern of some Arabs that the size of our sales may relieve the pressures in Addis Ababa to negotiate its differences with the secessionist Eritreans.

We anticipate, therefore, that this Congress will give Ethiopia special attention both in aid hearings and in any hearings on new arms sales restrictions. Nevertheless, we believe our interests in Ethiopia can be made clear and I do not anticipate that Congress will exercise its veto power over any sale in excess of \$25 million or will impose a ceiling on aid to Ethiopia.

Max Friedersdorf concurs.

Section 23 of the Foreign Military Sales Act (FMSA) as amended, requires that the interest rate on the unpaid balance of FMS credit obligations be equal to "the current average interest rate" paid by the United States Government on "outstanding marketable obligations of comparable maturity" unless you certify to Congress that "the national interest" requires a lesser rate, and include in such certification the lesser rate required and the justification therefore. Section 654(c) of the Foreign Assistance Act of 1961, as amended, requires that this certification be published in The Federal Register unless you conclude that such publication would be harmful to the national security of the United States.

Mr. Lynn concurs in the recommendation to reduce credits by Mr. Ingersoll, but believes that the question of arms sales has become such a major Congressional issue that a thorough policy review is required (Tab C). As you know, such a review is now underway (NSSM 223) and will be submitted to the Senior Review Group by June 20, 1975.

At Tab A is a Determination which finds that "the national interest" requires a Congressional rate of five percent on \$25 million of FMS credits. The Determina-

tion provides for publication in The Federal Register. The justification attached at Tab A will also be published and sent to Congress.

RECOMMENDATION

That you sign the Determination at Tab A.

2770

THE WHITE HOUSE
WASHINGTON

today

Give me a memo
for the President which
explains why he
should not wait
until the NSSA
is finished

W

MEMORANDUM

NATIONAL SECURITY COUNCIL

SECRET - GDS

ACTION

May 23, 1975

DECLASSIFIED

E.O. 12356, Sec. 3.4.

MEMORANDUM FOR: SECRETARY KISSINGER

MR 92-66, #25 NSC H. 9/19/95

FROM: HAL HORAN *HH*
CLINTON E. GRANGER *cel*

By KBH, NARA, Date 10/30/95

SUBJECT: Presidential Determination on Credits for Ethiopia

Mr. Ingersoll has requested the President to make a Determination which will permit us to provide in FY 75 the \$25 million FMS credit programmed for Ethiopia at a soft rate of interest of five percent (Tab B).

This rate is well below that which the U.S. Treasury will pay for the funds this year (about eight percent) and Treasury takes the view that Ethiopia's relatively high reserves and high balance of payments surplus argue for commercial rates. Nonetheless, as Mr. Ingersoll points out, Treasury interposes no objection to the Determination in view of the Department of State's belief that there are overriding political considerations.

State agrees that at present Ethiopia appears to be able to repay a loan at commercial rates. Ethiopia's long-term financial outlook, however, is not all that promising. Ethiopia is one of the poorest countries in the world and its new government is attempting to drastically alter the basic economic and agriculture structure of the country. It has also begun to increase its military to try to match the growing inventories of Soviet weapons in Somalia.

State also argues that the credit rate this year should not be higher than the five percent concessional rate we provided last year. To do otherwise, State believes, would negate the favorable impact of the increase in credits we have provided this year. Finally, State points out, the Ethiopians have already been told by State that we would try to provide concessional credits once again in FY 75 and try to provide \$25 million in credits. Backing off from this commitment now would be the wrong signal to send at a time when we are faced with new political dynamics in Ethiopia, including a new military and left-leaning leadership wary of the sincerity of our continued support. DOD concurs in the State recommendation.

We agree with State on concessional credits for Ethiopia and on the increase in credits -- \$11 million last year and \$25 million this year. We would previously have increased credits were it not for the \$40 million African ceiling, which the

SECRET - GDS

President obtained authority to waive only this year. (The President made such a Determination on May 20, 1975.) To maintain our favored position in Ethiopia after the change in government last year, and to promote the stability of the Horn of Africa, after the build-up of Soviet weapons there, we have in the past year dramatically increased the amount of military assistance.

However, the new Ethiopian regime, like its imperial predecessor, perceives a military threat from Soviet supplied Somalia, and is trying to strengthen its military to meet the Eritrean insurgency. Therefore, following the recent hostilities around Asmara, we agreed to an ammunition resupply, (partly by airlift) as a gesture of support to Addis. At the same time, we attempted to deflect Arab sympathies for the Eritrean secessionists. We believe these gestures of support for the new government will preserve our position in Ethiopia just at the time the Indian Ocean and the Red Sea oil routes are acquiring a new regional significance.

Much of the increase in our military supply relationship is in the form of cash sales. Last year our sales were \$0.5 million. This year they will probably amount at least to \$100 million. This is the best reason for the increase in our credits from \$11 million last year to \$25 million this year.

We believe in fact that any potential problem of justification lies not with the concessional rate of interest or with the increase in credits, but with Congressional reaction to the escalating size of our military sales program.

The State memo to the President is silent on this problem but, given the new reporting requirements, Congress will not long remain ignorant of the fact that our sales in Ethiopia are becoming far and away the largest in Africa.

This increase will contribute to the strong Congressional criticism of arms sales in general. Congressional critics of arms sales will point out that Ethiopia is one of the poorest countries in Africa and the world. Critics could also claim that the new military regime is unstable and potentially unfriendly to the U.S.

We anticipate, therefore, that this Congress will give Ethiopia special attention both in aid hearings and in any hearings on new arms sales restrictions. Nevertheless, we do not anticipate that Congress will exercise its veto power over any sale in excess of \$25 million and we do not think Congress will impose a ceiling on aid to Ethiopia.

The memo to the President at Tab I explains the legal implications of the Determination and sets out the Congressional and diplomatic considerations as outlined above. It recommends the President approve the Determination.

Mr. Lynn concurs in the recommendation of Mr. Ingersoll, (Tab C) but believes that the question of arms sales has become such a major Congressional issue that a thorough policy review is required. As you know, such a review is now under-

way (NSSM 223) and will be completed by June 20, 1975, for submission to the Senior Review Group.

RECOMMENDATION

That you sign the memo to the President at Tab I.



Les Janka concurs.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

MAY 21 1975

~~CONFIDENTIAL~~

MEMORANDUM FOR: THE PRESIDENT

FROM: JAMES T. LYNN (Signed) James T. Lynn
DIRECTOR

SUBJECT: Extension of Special Terms for Foreign
Military Sales (FMS) Credits to Ethiopia

State Department Proposal

Deputy Secretary of State Ingersoll in the attached memorandum recommends that you determine that providing a concessionary interest rate (5%) on \$25 million in FMS credits to Ethiopia is required by the national interest. The Foreign Military Sales Act requires that the interest rate on military sales credits be equal to "the current average interest rate" paid by the United States Government on obligations of comparable maturity unless you make the above determination.

State Justification

State formally is only asking you to approve a concessionary interest rate of 5 percent at this time. Nevertheless, you will also be approving an increase in the FMS credit program for Ethiopia from the \$5 million justified to the Congress to \$25 million.

Secretary Ingersoll states that the Ethiopians would view an interest rate higher than 5 percent, the rate offered on \$11 million in fiscal year 1974 credits, as being inconsistent with previous practice. He points out that we told the Ethiopians last November that concessional terms on the 1975 credits would be requested.

Comment

I concur in offering a 5 percent interest rate for the reasons set forth by the Secretary.

~~CONFIDENTIAL~~ - GDS

KR 4-12-88

While I also concur in offering \$25 million in FMS credit in 1975, you should be aware that this represents a five-fold increase over the \$5 million FMS credit program justified to the Congress for 1975 and more than a doubling of the 1974 level of \$11 million. Increases of this magnitude could invite further congressional efforts to restrict Executive flexibility including revocation of the authority granted to you last year to waive the \$40 million ceiling on grant military aid and credit sales to African countries.

I am even more concerned about the dramatic increase in government-to-government cash sales to Ethiopia this year, as shown below.

(\$ millions)

	<u>1973</u>	<u>1974</u>	<u>1975</u>
Grant Military Assistance	8.7	12.5	12.5
Cash Sales	<u>0</u>	<u>.5</u>	<u>60.0</u>
Total	8.7	13.0	72.5

Ethiopia is also considering the purchase of F-5E aircraft which could bring total military purchases from the U.S. in 1975 to \$100-135 million. Any FMS credit provided in 1975 and the \$11 million of unused 1974 credit will be applied to these purchases.

There is mounting congressional concern about the apparent lack of a coordinated Administration policy with respect to arms sales worldwide. The large increase in sales to Ethiopia is likely to be viewed as additional evidence that this concern is justified.

In addition, Ethiopia is one of the poorest countries in the world and one whose government has recently, through summary executions of former government officials, raised questions about its concern for human rights. Congress may question our arms transfer policies toward Ethiopia in this context as well.

Sales to Ethiopia and related credit financing are determined almost exclusively by a political judgment that such sales are important to our bilateral relationship. Since this rationale underlies our sales to most countries, there is no standard formula for determining an optimum level for Ethiopia or any other country. Nevertheless, I believe that your major concern should be to develop a clearly stated, coherent policy on arms transfers to Ethiopia and their relationship to our interests, both short and long term. Until and unless we have such a policy and are able to convince the Congress of its merits, our military sales will continue to be made on an ad hoc basis and the Congress is likely to continue to impose restrictions on Executive flexibility in this area.

Recommendation

I recommend that you approve \$25 million in FMS credit in 1975 to be provided at a 5 percent interest rate. I further recommend that you consider directing that a thorough review of our arms transfer policies toward Ethiopia be conducted before any further arms transfers are approved.

Decision

1. Provide \$25 million at 5 percent interest (State/OMB recommendation)
 2. Direct a review of arms transfer policies toward Ethiopia.
- _____
- _____

THE DEPUTY SECRETARY OF STATE
WASHINGTON

April 28, 1975

~~CONFIDENTIAL~~

MEMORANDUM FOR: THE PRESIDENT

FROM: Robert S. Ingersoll *RSI*

SUBJECT: Extension of Special Terms for
Foreign Military Sales (FMS)
Credits to Ethiopia

Problem:

You are asked to determine and certify to the Congress that the provision of Foreign Military Sales credits to the Government of Ethiopia at a rate of interest lower than that paid by the United States on obligations of comparable maturity is required by the national interest of the United States.

Background:

In early 1974 we decided to provide additional security assistance to Ethiopia, in view of the Ethiopian Government's concern about a possible attack from neighboring Soviet-armed Somalia which claims large areas of Ethiopia. This increment was mostly in the form of authorizations for cash purchases of military equipment since legislation at that time severely limited our ability to extend additional grant assistance or credits. We were able, however, to extend \$11 million in FMS credits which was provided on concessional terms, i.e., 5% as against the 7 3/8% normally applicable at that time.

Changes made in the pertinent legislation for FY 75 have permitted us to increase projected FMS credits to Ethiopia for FY 75 to \$25 million. The Ethiopians understand that the difference in magnitude between the FMS credits offered in FY 74 and FY 75

~~CONFIDENTIAL~~
GDS

DECLASSIFIED
E.O. 12356, Sec. 3.4.

MR 92-68 # 26, State Ltr. 2/5/93
By *KBH* NARA, Date *3/19/93*

CONFIDENTIAL

-2-

was largely due to legislative factors beyond the administration's control. They also understand that any change from the previous favorable credit terms extended in FY 74 is a decision for the administration alone to make. They would consequently view an increase in the interest rate to above 5% as inconsistent with previous practice. They might also consider it as contrary to a previous understanding as we told them on November 7, 1974, that we would request concessional terms for the FY 75 FMS credits. This would largely negate the favorable impact that has been made by the size of the FY 75 FMS offer.

As you know, our relations with Ethiopia are at a critical juncture brought about by last year's government changes and the outbreak of fighting in Eritrea this year. It is desirable that the USG have maximum flexibility in dealing with this situation. Authority to provide foreign military sales credits at the same concessional interest rate as last year should contribute to this flexibility. Should future events call for a reduction in our military supplies to the Ethiopian regime, this could be accomplished by our declining to sell for cash additional military equipment which the Ethiopian Government has requested.

Legal Considerations:

Section 23 of the Foreign Military Sales Act (FMSA) as amended, requires that the interest rate on the unpaid balance of FMS credit obligations be equal to "the current average interest rate" paid by the United States Government on "outstanding marketable obligations of comparable maturity" unless you certify to Congress that "the national interest" requires a lesser rate, and include in such certification the lesser rate required and the justification therefor. Section 654(c) of the Foreign Assistance Act of 1961, as amended, requires that this certification be published in The Federal Register unless you conclude that such publication would be harmful to the national security of the United States. Under

CONFIDENTIAL

CONFIDENTIAL

-3-

the present circumstances, publication of your certification would not, in my opinion, be harmful to the national security and accordingly it is recommended that it be published in The Federal Register.

Recommendation:

I recommend that you approve and sign the attached certification and thereby also approve the attached justification which will be reported to the Congress and published in The Federal Register. The Department of Defense concurs. The Department of the Treasury questions the provision of the low credit rate on financial grounds but, in view of the Department of State's belief that there are overriding political considerations, interposes no objection.

Attachments:

1. Presidential Determination
2. Justification

CONFIDENTIAL

ACTIONSECRET - GDS

MEMORANDUM FOR: THE PRESIDENT

FROM: HENRY A. KISSINGER

SUBJECT: Presidential Determination on Credits
for Ethiopia

You recently reviewed the question of providing credits for military sales to Ethiopia at concessional rates (Tab B), and, noting the reference to an ongoing study of US policy on arms sales worldwide, indicated your preference to await the outcome of that study before making a decision on the determination for Ethiopia.

The pending study addresses arms transfer policy generally and does not deal with Ethiopia per se. It is focussed upon our policies for FY '76 and beyond and will not impact upon FY '75 programs. Although the study is not yet complete, it is the unanimous view of the participating agencies that future military sales approved for the poorest countries should be negotiated at concessional interest rates. This principle applies in the case of Ethiopia -- the poorest country with which we have a current sales agreement.

Credit agreements with the Ethiopians for military purchases must be signed before July 1, and in the absence of a Presidential Determination directing concessional terms, these agreements will have to specify commercial rates of interest.

Consequently, I request your reconsideration of the matter and your approval of the Presidential Determination at Tab A.

RECOMMENDATION

That you sign the Presidential Determination at Tab A.

SECRET - GDS

KR 4-12-88

Rewrtn:RCM:GenSims:6/24/75

THE WHITE HOUSE
WASHINGTON

ACTION

~~SECRET~~ - GDS

MEMORANDUM FOR: THE PRESIDENT

FROM: HENRY A. KISSINGER

SUBJECT: Presidential Determination on Credits for Ethiopia

You recently reviewed the question of providing credits for military sales to Ethiopia at concessional rates (Tab B), and, noting the reference to an on-going study of US policy on arms sales worldwide, indicated your preference to await the outcome of that study before making a decision on the determination for Ethiopia.

The pending study addresses arms transfer policy generally, ~~although our policy toward Ethiopia will be covered by the resultant general policy recommendations.~~ It is focussed upon our policies for FY '76 and beyond. Although the study is not yet complete, it is the unanimous view of the participating agencies that ^{future} military sales approved for the poorest countries should be negotiated at concessional interest rates. This ^{principle} preliminary conclusion applies in the case of Ethiopia -- the poorest country with which we have a current sales agreement. ~~Soft credit terms for the FY 1975 FMS program for Ethiopia is an essential part of our overall military assistance program to the new government of Ethiopia.~~

and does not deal with Ethiopia per se.

and will not impact upon FY 75 programs

Credit agreements with the Ethiopians for military purchases must be signed before July 1, and in the absence of a Presidential Determination directing concessionary terms, these agreements will have to specify commercial rates of interest.

Consequently, I request your reconsideration of the matter and your approval of the Presidential Determination at Tab A.

RECOMMENDATION

That you sign the Presidential Determination at Tab A.

~~SECRET~~ - GDS

KR 4-12-88

ACTIONSECRET - GDS

MEMORANDUM FOR: THE PRESIDENT
FROM: HENRY A. KISSINGER
SUBJECT: Presidential Determination on Credits
for Ethiopia

You recently reviewed the question of providing credits for military sales to Ethiopia at concessional rates (Tab B), and, noting the reference to an on-going study of US policy on arms sales worldwide, indicated your preference to await the outcome of that study before making a decision on the determination for Ethiopia.

The pending study addresses arms transfer policy generally, although our policy toward Ethiopia will be covered by the resultant general policy recommendations. It is focussed upon our policies for FY '76 and beyond. Although the study is not yet complete, it is the unanimous view of the participating agencies that military sales approved for the poorest countries should be negotiated at concessional interest rates. This preliminary conclusion applies in the case of Ethiopia -- the poorest country with which we have a current sales agreement. Soft credit terms for the FY 1975 FMS program for Ethiopia is an essential part of our overall military assistance program to the new government of Ethiopia.

Credit agreements with the Ethiopians for military purchases must be signed before July 1, and in the absence of a Presidential Determination directing concessionary terms, these agreements will have to specify commercial rates of interest.

Consequently, I request your reconsideration of the matter and your approval of the Presidential Determination at Tab A.

RECOMMENDATION

That you sign the Presidential Determination at Tab A.

wgh:23 Jun 75 (retyped)

SECRET - GDS

KR 4-12-89

~~SECRET~~-GDS

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: HENRY A. KISSINGER

SUBJECT: Presidential Determination on Credits for Ethiopia

the question of providing credits for military sales to Ethiopia
You recently reviewed my memorandum to you on the above subject (Tab B), and, ^{noting the reference to 22017-90179} in view of the reference therein of a current study of US policy on arms sales ^{worldwide} soon to be submitted for SRG review, indicated you preferred to await the outcome of that study before making a decision on the ^{ence} PD on Ethiopia.

pending addresses determination for
The study referred to in my memorandum is a review of general arms transfer policy ^{generally, although} rather than of our policy toward Ethiopia. There is no such review of our Ethiopian program currently contemplated, and soft credit terms for the FY 1975 FMS program for Ethiopia is an essential part of our overall military assistance to the new ~~military~~ government of Ethiopia. ^{will be covered by the use of general policy recommendations.} Credit agreements with the Ethiopians for military purchases must be signed before July 1, and in the absence of a Presidential Determination directing concessionary terms, these agreements will have to specify commercial rates of interest.

request
Consequently, I recommend your reconsideration of the matter and that you sign the Presidential Determination at Tab A.

RECOMMENDATION

That you sign the Presidential Determination at Tab A.

It is focussed upon our policies for 'FY'76 and beyond. Although the study is not yet complete it is the unanimous view of the participating agencies that military sales approved for

Attachments

- Tab A - Presidential Determination for signature
- Tab B - My memorandum to you on the subject

particularly the poorest countries should be negotiated at concessional interest rates. This preliminary conclusion applies in the case of Ethiopia - the poorest country with which we have a current sales agreement.

~~SECRET~~-GDS

SECRET-GDS

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: HENRY A. KISSINGER

SUBJECT: Presidential Determination on Credits for Ethiopia

You recently reviewed my memorandum to you on the above subject (Tab E), and, in view of the reference therein of a current study of US policy on arms sales soon to be submitted for SRG review, indicated you preferred to await the outcome of that study before making a decision on the PD on Ethiopia.

The study referred to in my memorandum is a review of general arms transfer policy rather than of our policy toward Ethiopia. There is no such review of our Ethiopian program currently contemplated, and soft credit terms for the FY 1975 FMS program for Ethiopia is an essential part of our overall military assistance to the new military government of Ethiopia. Credit agreements with the Ethiopians for military purchases must be signed before July 1, and in the absence of a Presidential Determination directing concessionary terms, these agreements will have to specify commercial rates of interest.

Consequently, I recommend your reconsideration of the matter and that you sign the Presidential Determination at Tab A.

RECOMMENDATION

That you sign the Presidential Determination at Tab A.

Attachments

- Tab A - Presidential Determination for signature
- Tab B - My memorandum to you on the subject

SECRET-GDS

KR 4-12-88

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

SECRET - GDS

ACTION

MEMORANDUM FOR: THE PRESIDENT
FROM: HENRY A. KISSINGER
SUBJECT: Presidential Determination on Credits for Ethiopia

Mr. Ingersoll has requested you to make a Determination which will make possible a five percent interest rate for \$25 million in FY 75 FMS credits for Ethiopia (Tab B).

This rate is below that which the U.S. Treasury will pay for the funds this year (about eight percent) and Treasury takes the view that Ethiopia's relatively high reserves and high balance of payments surplus argue for commercial rates. Nonetheless, as Mr. Ingersoll points out, Treasury interposes no objection to the Determination in view of the Department of State's belief that there are overriding political considerations.

State agrees that, at present, Ethiopia appears to be able to repay a loan at commercial rates. Ethiopia's long-term financial outlook, however, is not promising.

State also argues that the credit rate this year should not be higher than the five percent concessional rate we provided last year. To do otherwise, State believes, would negate the favorable impact of the increase in credits we have provided this year. DOD concurs in the State recommendation.

To maintain our favored position in Ethiopia after the change in government last year, and to promote the stability of the Horn of Africa after the build-up of Soviet weapons in Somalia, we have in the past year dramatically increased the amount of military assistance.

I believe it is in the national interest of the United States to provide Ethiopia with concessional credits as well as the proposed increase in credits from \$11 million last year to \$25 million this year. An increase in credits would have been desirable for Ethiopia previously but was impossible because of the \$40

~~SECRET~~ - GDS

KE 4-12-68

THE WHITE HOUSE
WASHINGTON

June 30, 1975

FOR THE RECORD:

The original of the attached Presidential Determination was handled by the NSC Executive Secretariate, and was not seen by the WH Records Office.

John Heiting