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TO: SECSTATE RCI

INFO: RUEIACD/DIV/D

FROM: RUQMHR/TEHRAN

SUBJECT: Possible NIOC Assistance to Ethiopian Oil Co.

REF: RCI 21305

Following from Ambassador Helms for State (STATE RCI please pass to Amembassy ADDIS ABABA and AF Bureau)

1. In response to first question referent^t message, Iran certainly has capability to provide technical assistance required to establish and run oil distribution company such as Ethiopia plans. Entirely on its own NIOC refines some 400,000 barrels of oil a day and distributes it in Iran and Afghanistan. These operations, however, occupy almost all available technical personnel, and strong incentive would be necessary for Iran to divert some of them to assist Ethiopia set up its company.
2. As to second question, we do not think that on balance Iran would want to take on Ethiopian operations under present conditions. On negative side, in addition to having to use personnel it needs in its own operations and the obvious political liabilities of assisting questionable (and anti-monarchic) regime, we doubt that GOI would consider long-term agreement to supply crude to Ethiopia as advantageous. Within next few decades Iran expects to be using most of its own production either for growing domestic

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consumption or as feeder stock for its new petrochemical industries. We think that only if GOI believed it would significantly affect orientation of EPMG, stability in Horn of Africa, and Iran's own influence in area would it seriously consider helping set up Ethiopian oil company, and we do not believe GOI would see it that way at this time.

HELMS
WJ

POL:HQmills:vlw

Approved by: DCM:JCMiklos

Concurrence:ECON:DPatterson

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