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**FOREIGN
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OF THE
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STATES**

1958-1960

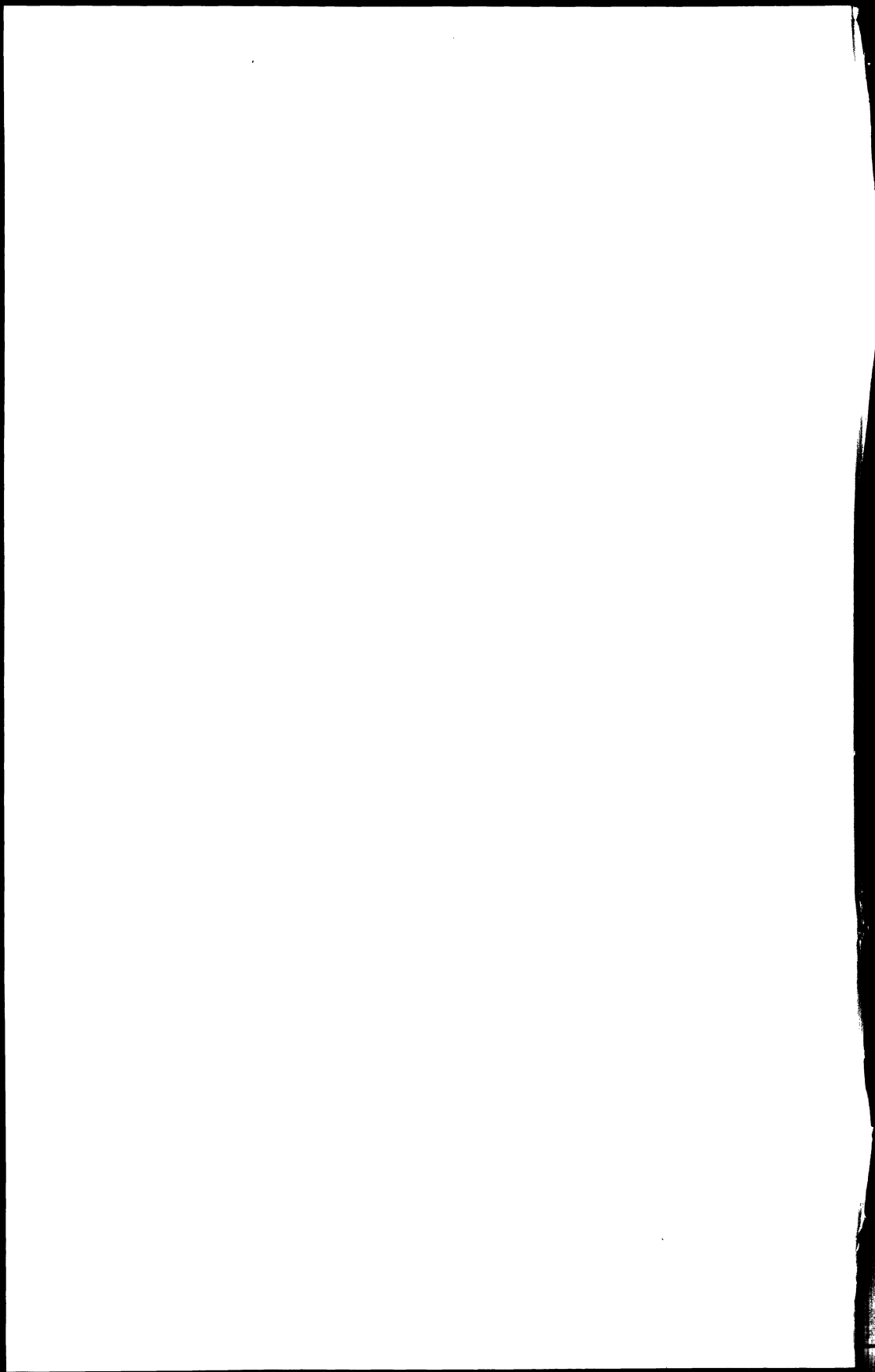
VOLUME XV

**SOUTH AND
SOUTHEAST ASIA**



**DEPARTMENT
OF
STATE**

Washington





Foreign Relations of the United States, 1958-1960

Volume XV

South and Southeast Asia

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DEPARTMENT OF STATE PUBLICATION 9996

OFFICE OF THE HISTORIAN

BUREAU OF PUBLIC AFFAIRS

For sale by the Superintendent of Documents, U.S. Government Printing Office
Washington, D.C. 20402

Preface

The *Foreign Relations of the United States* series presents the official documentary historical record of major United States foreign policy decisions and significant diplomatic activity of the United States Government. The series documents the facts and events that contributed to the formulation of policies and includes evidence of supporting and alternative views to the policy positions ultimately adopted.

The Historian of the Department of State is charged with the responsibility for the preparation of the *Foreign Relations* series. The staff of the Office of the Historian, Bureau of Public Affairs, plans, researches, compiles, and edits the volumes in the series. This documentary editing proceeds in full accord with the generally accepted standards of historical scholarship. Official regulations codifying specific standards for the selection and editing of documents for the series were promulgated by Secretary of State Frank B. Kellogg on March 26, 1925. A statutory charter for the preparation of the series was established by Title IV of the Department of State's Basic Authorities Act of 1956 (22 USC 4351 *et seq.*) which was signed by President George Bush on October 28, 1991.

The statute requires that the *Foreign Relations* series be a thorough, accurate, and reliable record of major United States foreign policy decisions and significant United States diplomatic activity. The volumes of the series should include all records needed to provide comprehensive documentation of major foreign policy decisions and actions of the United States Government, including facts which contributed to the formulation of policies and records providing supporting and alternative views to the policy positions ultimately adopted.

The statute confirms the editing principles established by Secretary Kellogg: the *Foreign Relations* series is guided by the principles of historical objectivity and accuracy; records should not be altered or deletions made without indicating in the published text that a deletion has been made; the published record should omit no facts that were of major importance in reaching a decision; and nothing should be omitted for the purposes of concealing a defect in policy.

The statute also requires that the *Foreign Relations* series be published not more than 30 years after the events recorded.

IV Preface

The volume presented here, which was originally compiled and prepared as a book manuscript in 1979 and 1980, meets all the standards of selection and editing prevailing in the Department of State at that time and complies fully with the spirit of the standards of selection, editing, and range of sources established by the statute of October 28, 1991. This volume records policies and events of more than 30 years ago, but the statute allowed the Department until 1996 to reach the 30-year line in the publication of the series.

Structure and Scope of the Foreign Relations Series

This volume is part of a triennial subseries of volumes of the *Foreign Relations* series that documents the most important issues in the foreign policy of the final 3 years (1958–1960) of the administration of President Dwight D. Eisenhower. This subseries comprises 18 print volumes totaling more than 16,000 pages and 7 microfiche supplements presenting more than 14,000 pages of original documents.

In planning and preparing this 1958–1960 triennium of volumes, the editors chose to present the official record of U.S. foreign affairs with respect to South, Southeast, and East Asia in five print volumes and four microfiche supplements. Documentation on U.S. relations with and policies toward the nations of South Asia (Afghanistan, Pakistan, India, Nepal, and Sri Lanka (then Ceylon)) as well as with the Southeast Asian nations of Thailand and the Philippines are in this volume. Volume I of this subseries presents documentation on the diplomacy of U.S. involvement in the Vietnam war. Volume XVI presents the record of U.S. relations with Cambodia and Laos as well as documentation on U.S. regional policy in East Asia. Volume XVII (with a microfiche supplement) documents policies toward Japan and Indonesia, and Volume XVIII (with a microfiche supplement) presents the record of relations with China and Korea. In addition, a two-part microfiche supplement to Volumes XV and XVI will include documentation on relations with Burma, Singapore, and Malaya as well as documents on general Southeast Asia policies and particular issues in relations with Cambodia and Laos that supplement those printed in Volume XVI.

Sources for the Foreign Relations Series

The original research, compilation, and editing of this volume was done in 1979 and 1980 when its editors were still under the Department regulation derived from Secretary Kellogg's charter of 1925. This regulation prescribed that the *Foreign Relations* series include "a comprehensive record of the major foreign policy decisions within the range of the Department of State's responsibilities" and thereby presumed that the records of the Department of State would constitute

the central core of documentation presented in the series. The Department of State historians have always had complete and unconditional access to all records and papers of the Department of State. Access includes the central files of the Department, the special decentralized (lot) files of the policymaking levels, the files of the Department of State's Executive Secretariat, and the files of all overseas Foreign Service posts and U.S. special missions. Any failure to include a complete Department of State record in the *Foreign Relations* series cannot be attributed to any constraints or limitations placed upon the Department historians in their access to Department records, information security regulations and practices notwithstanding.

Secretary Kellogg's charter of 1925 and Department regulations derived therefrom required that further records "needed to supplement the documentation in the Department files" be obtained from other government agencies. Department historians preparing the *Foreign Relations* series since 1954, including the editors of this volume, fully researched the papers of the Presidents and, since the administration of President Eisenhower, other White House foreign policy records. These Presidential papers have become a major part of the official record published in the *Foreign Relations* series.

Presidential papers maintained and preserved at the Presidential libraries include some of the most significant foreign affairs-related documentation from other Federal agencies including the Central Intelligence Agency. All of this documentation has been routinely made available for use in the *Foreign Relations* series thanks to the cooperation and support of the National Archives and Records Administration and the particular Presidential library.

Department of State historians have also enjoyed steadily broadened access to the records of the Department of Defense, particularly the records of the Joint Chiefs of Staff and the Office of the Secretary of Defense. Selective access has been obtained to the records of several other agencies in order to supplement the official record of particular *Foreign Relations* volumes.

Completion of the declassification of this volume and the final steps of its preparation for publication coincided with the development since early 1991 by the Central Intelligence Agency in cooperation with the Department of State of expanded access by Department historians to high-level intelligence documents from among those records still in the custody of that Agency. The Department of State chose not to postpone the publication of this volume to ascertain how such access might affect the scope of available documentation and the changes that might be made in the contents of this particular volume. The Department is, however, using this expanded access, as arranged by the CIA's History Staff, for compilation of future volumes in the *Foreign Relations* series.

The statute of October 28, 1991, requires that the published record in the *Foreign Relations* series include all records needed to provide comprehensive documentation of all the major foreign policy decisions and actions of the United States Government. It further requires that government agencies, departments, and other entities of the United States Government cooperate with the Department of State Historian by providing full and complete access to records pertinent to foreign policy decisions and actions and by providing copies of selected records. This volume was prepared in a manner completely consonant with the standards and mandates of the statute, even though the research, compiling, and editing were completed in 1979 and 1980. The List of Unpublished Sources, pages XIII–XVII, identifies the particular files and collections used in the preparation of this volume.

Principles of Selection for Foreign Relations, 1958–1960, Volume XV

In selecting documents for this volume, the editors placed primary consideration on the formulation of U.S. policy by the Eisenhower administration and on the most significant U.S. diplomatic, economic, and military relationships with foreign governments. Documents of the National Security Council, both memoranda of discussions and policy papers, have been given as full treatment as possible. The editors had complete access to and made use of memoranda of discussion at National Security Council meetings and other institutional NSC documents included in the Whitman File at the Eisenhower Library, as well as more informal foreign policy materials in that file and in other collections at the Eisenhower Library. These Presidential files were supplemented by NSC and White House documents in Department of State files and Departmental files on Presidential activities.

From all these sources, the editors were able to provide extensive documentation on the deliberations of the National Security Council with respect to basic U.S. policies toward the South Asian region; formulation of Presidential policy with regard to individual countries of South and Southeast Asia; the visits of President Eisenhower to Afghanistan, India, and Pakistan during his world trip in December 1959; and the visits to the United States of President Carlos P. Garcia of the Philippines, Field Marshal Sarit Thanarit of Thailand, and Prime Minister Mohammed Daud of Afghanistan in 1958, and of King Mahendra of Nepal and Prime Minister Jawaharalal Nehru in 1960.

During the years 1958–1960, the Department of State participated actively in the formulation of U.S. policy. Secretaries of State John Foster Dulles and Christian A. Herter advised President Eisenhower and took part in the deliberations of the National Security Council. The Department prepared and coordinated exchanges of views and negotiations on policy matters with foreign governments. The editors had complete access to all Department of State files: the central deci-

mal files; the special collections of the Executive Secretariat (which document activities of Department principals); the various specialized decentralized (lot) files originally maintained by Department policy-makers at the bureau, office, and division level; and the Embassy files of the pertinent U.S. Missions abroad.

The editors have selected from among these Department of State documents memoranda of the conversations between Secretaries Dulles and Herter and their counterparts in the South Asian and South-east Asian nations and internal U.S. Government policy recommendations and decision papers relating to such important initiatives as:

- the U.S. “package plan” for resolution of the most serious issues between India and Pakistan,
- formulation and execution of the U.S. Government policy of furnishing the maximum possible economic aid to India,
- stabilization of the U.S. alliance relationship with Pakistan,
- consultation between U.S. officials and officers of the International Bank for Reconstruction and Development regarding loans to the countries in the South Asia region,
- development of policy measures designed to limit Soviet influence in Afghanistan and promote better relations between Afghanistan and Pakistan, and
- efforts to solve issues related to the U.S.-Philippine Military Bases Agreement.

Telegrams were selected to document the important policy recommendations of U.S. representatives in the area, especially the influential U.S. Ambassadors in India, Pakistan, the Philippines and Thailand. Embassy files were of special use in the compilations on Thailand and the Philippines.

In addition to Department of State, White House, and National Security Council records, the editors had access to a body of declassified JCS files at the National Archives. Copies of classified JCS materials were obtained from the Joint Staff on a request basis. The editors selected documents that indicated the policy recommendations of the Joint Chiefs of Staff regarding various major foreign affairs policies.

The editors also selected key National Intelligence Estimates and Special National Intelligence Estimates relating to the area documented in this volume. These documents were available from the Bureau of Intelligence and Research, Department of State.

Editorial Methodology

The documents are presented chronologically according to Washington time. Incoming telegrams from U.S. missions are placed according to time of receipt in the Department of State or other receiving agency, rather than the time of transmission; memoranda of conversation are placed according to the time and date of the conversation, rather than the date the memorandum was drafted.

Editorial treatment of the documents published in *Foreign Relations* series follows Office style guidelines, supplemented by guidance from the General Editor and the chief technical editor. The source text is reproduced as exactly as possible, including marginalia or other notations, which are described in the footnotes. Obvious typographical errors are corrected, but other mistakes and omissions in the source text are corrected by bracketed insertions: a correction is set in italic type; an addition in roman type. Bracketed insertions are also used to indicate text that deals with an unrelated subject (in roman type) or that remains classified after declassification review (in italic type). The amount of material not declassified has been noted by indicating the number of lines or pages of source text that were omitted. The amount of material omitted because it was unrelated, however, is not accounted for. All ellipses and brackets that appear in the source text are so identified by footnotes.

The first footnote to each document indicates the document's source, original classification, distribution, and drafting information. The source footnote also provides the background of important documents and policies and indicates if the President or his major policy advisers read the document. Every effort has been made to determine if a document has been previously published, and this information has been included in the source footnote.

Editorial notes and additional annotation summarize pertinent material not printed in the volume, indicate the location of additional documentary sources, provide references to important related documents printed in other volumes, describe key events, and provide summaries of and citations to public statements that supplement and elucidate the printed documents. Information derived from memoirs and other first-hand accounts have been used when appropriate to supplement or explicate the official record.

Declassification Review

The declassification review process for this volume resulted in the withholding from publication of slightly over 3 percent of the documents originally selected for it. With two exceptions, the remaining documents provide a full account of the major foreign policy issues confronting, and the policies undertaken by, the Eisenhower administration in South and Southeast Asia.

Certain considerations pertaining to the U.S.-Philippine base negotiations and to the U.S. military presence in the Philippines remain classified, so the record of the conduct of the negotiations is not as complete as the editors intended. Documentation on U.S. economic and military aid to the Philippines, the tenor of U.S.-Philippine relations, and U.S. objectives in and the results of the base negotiations is, however, comprehensive. In the Ceylon compilation, withheld mate-

rial contained speculation about developments in Ceylonese politics and references to intelligence sources and methods. While the overall objectives of U.S. policy in Ceylon are clearly delineated in the compilation, the editors do not believe it reflects the full range of policy options considered by U.S. officials.

The Division of Historical Documents Review of the Office of Freedom of Information, Privacy, and Classification Review, Bureau of Diplomatic Security, Department of State, conducted the declassification review of the documents published in this volume. The review was conducted in accordance with the standards set forth in Executive Order 12356 on National Security Information and applicable laws.

Under Executive Order 12356, information that concerns one or more of the following categories, and the disclosure of which reasonably could be expected to cause damage to the national security, requires classification:

- 1) military plans, weapons, or operations;
- 2) the vulnerabilities or capabilities of systems, installations, projects, or plans relating to the national security;
- 3) foreign government information;
- 4) intelligence activities (including special activities), or intelligence sources or methods;
- 5) foreign relations or foreign activities of the United States;
- 6) scientific, technological, or economic matters relating to national security;
- 7) U.S. Government programs for safeguarding nuclear materials or facilities;
- 8) cryptology; or
- 9) a confidential source.

The principle guiding declassification review is to release all information, subject only to the current requirements of national security and law. Declassification decisions entailed concurrence of the appropriate geographic and functional bureaus in the Department of State, other concerned agencies of the U.S. Government, and the appropriate foreign governments regarding specific documents of those governments.

Acknowledgements

The editors wish to acknowledge the assistance of officials at the Dwight D. Eisenhower Library, in particular David Haight, who assisted in the collection of documents for this volume.

Under the supervision of former Editor in Chief John P. Glennon, Robert J. McMahon collected, selected, and edited all the compilations on South Asia except for Ceylon, which was compiled by William K. Klingaman. Madeline Chi prepared the compilation on the Philippines and Glennon and Chi the compilation on Thailand. Paul Claussen and David W. Mabon planned the volume and Mabon assisted in final

X Preface

editing. General Editor Glenn W. LaFantasie supervised the final steps in the editorial and publication process. Rita M. Baker and Althea Robinson did the technical editing and Barbara-Ann Bacon of the Publishing Services Division (Natalie H. Lee, Chief) oversaw the production of the volume. Daniel J. Coyle prepared the index.

William Z. Slany
The Historian
Bureau of Public Affairs

August 1992

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List of Unpublished Sources

Department of State

1. *Indexed Central Files*: The principal source of documentation for this volume was the indexed central files of the Department of State. Many of the documents were selected from the following files:

033.8911: Afghan visits to the United States
033.90C11: Nepalese visits to the United States
033.90D11: Pakistani visits to the United States
033.9111: Indian visits to the United States
110.15-RO: Assistant Secretary Rountree
120.1446E: Conferences in Ceylon
120.171: U.S. intragovernmental relations
292.51G22: Indochinese refugees in Thailand
310.311: U.S. Mission at the UN
398.14: International Bank for Reconstruction and Development
411.9141: U.S.-Pakistan Trade Relations
411.9641: U.S.-Philippine Trade Relations
611.89: U.S.-Afghan Relations
611.90: U.S. relations with East Asia (the Far East)
611.90D: U.S.-Pakistan relations
611.91: U.S.-Indian relations
611.9141: U.S.-Indian consular relations
611.9197: U.S.-Indian atomic energy relations
611.92: U.S.-Thai relations
661.89: Soviet-Afghan relations
689.00: Afghan political affairs
689.90D: Afghan-Pakistan relations
690D.91: Pakistan-India relations
690D.913: Pakistan-India border
690D.91322: Pakistan-India waters
711.11-EI: Dwight D. Eisenhower
711.551: U.S. military personnel
711.56390D: U.S. bases in Pakistan
711.56396: U.S. bases in the Philippines
746E.00: Ceylon political affairs
746E.5-MSP: U.S.-Ceylon mutual security
780.5: Defense of the Near East
789.11: Afghan executive
789.5-MSP: U.S.-Afghan mutual security
790.56311: Bases in Asia
790C.00: Nepalese political affairs

XIV List of Unpublished Sources

790C.02A: Advisers to Nepalese Government
790C.11: Nepalese executive
790C.5-MSP: U.S.-Nepal mutual security
790D.00: Pakistan political affairs
790D.5-MSP: U.S.-Pakistan mutual security
790D.5491: Pakistan-India military activity
790D.5612: Pakistan air ordnance
790D.5621: Pakistan naval vessels
790D.5622: Pakistan aircraft
791.00: Indian political affairs
791.13: Indian cabinet
791.5: Indian defense
791.5-MSP: U.S.-India mutual security
791.5622: Indian aircraft
792.00: Thai political affairs
792.03: Thai constitution
792.11: Thai executive
792.13: Thai cabinet
792.5-MSP: U.S.-Thai mutual security
792.551: Thai military personnel
792.5811: Visits of Thai military personnel to the U.S.
796.11: Philippine executive
796.13: Philippine cabinet
796.5: Philippine defense
811.05192: U.S. investment in Thailand
846E.10: Ceylonese finance
846E.49: Ceylonese relief
861.05192: Soviet intervention in Thailand
889.00: Afghan economic conditions
889.2614: Afghan public utilities
890C.501: Nepalese police
890D.00: Pakistani economic conditions
890D.131: Pakistani foreign exchange
890D.211: Pakistani irrigation projects
890D.2614: Pakistani public utilities
891.00: Indian economic conditions
891.10: Indian finance
891.1901: Indian atomic
891.23: Indian grain crops
891.3972: Indian fertilizers
892.10: Thai finance
892.2553: Thai petroleum
892.53: Narcotics traffic in Thailand
896.00: Philippine finance
896.131: Philippine exchange rates
961.61: Soviet newspapers

2. *Lot Files:* Documents from the central files are supplemented by lot files of the Department, which are decentralized files created by bureaus, offices, divisions, and the Executive Secretariat. A list of the lot files cited or consulted in this volume follows:

Bangkok Embassy Files: Lot 67 F 117

Classified and unclassified files of the Embassy in Bangkok for 1959-1961.

Conference Files: Lot 63 D 123

Collection of documentation on official visits to the United States by heads of government and foreign ministers, and on major international conferences attended by the Secretary of State for 1955–1958, maintained by the Executive Secretariat.

Conference Files: Lot 64 D 559

Collection of documentation on visits to the United States by high-ranking foreign officials and on major conferences attended by the Secretary of State for 1960, maintained by the Executive Secretariat.

Conference Files: Lot 64 D 560

Collection of documentation on visits to the United States by high-ranking foreign officials and on major conferences attended by the Secretary of State for 1958–1959, maintained by the Executive Secretariat.

JCS Files

Documents received by the Office of the Historian from the Organization of the Joint Chiefs of Staff by request.

NEA/SOA Files: Lot 60 D 449

Indian economic subject files for 1955–1958, maintained by the Office of South Asian Affairs of the Bureau of Near Eastern, South Asian, and African Affairs.

NEA/SOA Files: Lot 60 D 544

Afghan subject files for 1957–1958, maintained by the Office of South Asian Affairs of the Bureau of Near Eastern, South Asian, and African Affairs.

NEA/SOA Files: Lot 62 D 43

Files of the Director of the Office of South Asian Affairs for 1957–1959, maintained by the Office of South Asian Affairs of the Bureau of Near Eastern, South Asian, and African Affairs.

NEA/SOA Files: Lot 62 D 443

Ceylon economic subject files for 1959–1960, maintained by the Office of South Asian Affairs of the Bureau of Near Eastern, South Asian, and African Affairs.

NEA/SOA Files: Lot 63 D 110

Files of the Director of the Office of South Asian Affairs for 1960, maintained by the Office of South Asian Affairs of the Bureau of Near Eastern, South Asian, and African Affairs.

NEA/SOA Files: Lot 63 D 308

Pakistan subject files for 1958–1959, maintained by the Office of South Asian Affairs of the Bureau of Near Eastern, South Asian, and African Affairs.

NEA/SOA Files: Lot 64 D 9

Pakistan political and economic subject files for 1960, maintained by the Office of South Asian Affairs of the Bureau of Near Eastern, South Asian, and African Affairs.

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NEA/SOA Files: Lot 64 D 577

Afghanistan economic subject files for 1956–1962, maintained by the Office of South Asian Affairs of the Bureau of Near Eastern, South Asian, and African Affairs.

OCB Files: Lot 61 D 385

Master set of the administrative and country files of the Operations Coordinating Board for 1953–1960, maintained in the Operations Staff.

OCB Files: Lot 62 D 430

Master files of the Operations Coordinating Board for 1953–1960, maintained by the Executive Secretariat.

Presidential Memoranda of Conversation: Lot 66 D 204

Exchanges of correspondence between the President and heads of foreign governments for 1953–1964, maintained by the Executive Secretariat.

Secretary's Memoranda of Conversation: Lot 64 D 199

Chronological collection of the Secretary of State's memoranda for 1953–1960, as maintained by the Executive Secretariat.

Secretary's Staff Meetings: Lot 63 D 75

Chronological collections of the minutes of the Secretary of State's Staff Meetings during 1952–1960, maintained by the Executive Secretariat.

S/P Files: Lot 67 D 548

Subject files, country files, chronological files, documents, drafts, and related correspondence of the Policy Planning Staff for 1957–1961.

SPA Files: Lot 63 D 82

Philippine economic files for 1959–1960, maintained by the Office of Southwest Pacific Affairs of the Bureau of Far Eastern Affairs.

SPA Files: Lot 64 D 391

Philippine files for 1959–1961, maintained by the Office of Southwest Pacific Affairs of the Bureau of Far Eastern Affairs,

SPA Files: Lot 64 D 523

Philippine economic files for 1961–1962, with some earlier materials, maintained by the Office of Southwest Pacific Affairs of the Bureau of Far Eastern Affairs.

SPA Files: Lot 67 D 279

Military bases files for 1947–1964, with concentration on 1959–1960, retired by the Office of Philippine Affairs of the Bureau of East Asian and Pacific Affairs.

S/S–NSC Files: Lot 63 D 351

Serial master file of NSC documents and correspondence and related Department of State memoranda for 1947–1961, maintained by the Executive Secretariat.

S/S–NSC (Miscellaneous) Files: Lot 66 D 95

Administrative and miscellaneous National Security Council files, including records of action, for 1947–1963, maintained by the Executive Secretariat.

State–JCS Meetings: Lot 61 D 417

Top Secret records of the meetings between the Joint Chiefs of Staff and representatives of the Department of State for 1951–1959, maintained by the Executive Secretariat.

Dwight D. Eisenhower Library, Abilene, Kansas

Dulles Papers

Records of John Foster Dulles, 1952–1959, including General Memoranda of Conversation, Meetings with the President, General Telephone Conversations, and White House Telephone Conversations.

Project Clean Up

Project Clean Up collection. Records of Gordon Gray, Robert Cutler, Henry R. McPhee, and Andrew J. Goodpaster, 1953–1961.

Staff Secretary's Records

Records of the Office of the Staff Secretary, 1952–1961, including records of Paul T. Carroll, Andrew J. Goodpaster, L. Arthur Minnich, Jr., and Christopher H. Russell.

Whitman File

Papers of Dwight D. Eisenhower as President of the United States, 1953–1961, maintained by his Personal Secretary, Ann Whitman. The Whitman File includes the following elements: Name Series, Dulles–Herter Series, Eisenhower Diaries, Ann Whitman (ACW) Diaries, National Security Council Records, Miscellaneous Records, Cabinet Papers, Legislative Meetings, International Meetings, Administrative Series, and International File.

National Archives and Records Administration, Washington, D.C.

JCS Records

National Archives Records Group 218. Records of the Joint Chiefs of Staff and the Chairman of the Joint Chiefs.

List of Abbreviations

- ADIZ**, Air Defense Interior Zone
AEC, Atomic Energy Commission
AEDF, Asian Economic Development Fund
AFP, Armed Forces of the Philippines
AMS, auxiliary minesweeper
ANZUS, Australia, New Zealand, United States
ARMA, Army Attaché
ARTC, Air Traffic Control
BNA, Office of British Commonwealth and Northern European Affairs, Bureau of European Affairs, Department of State
CA, Circular Airgram; Office of Chinese Affairs, Bureau of Far Eastern Affairs, Department of State
CAB, Civil Aeronautics Board
CCP, Ceylonese Communist Party
CENTO, Central Treaty Organization
CHJUSMAGPHIL, Chief of the Joint U.S. Military Assistance Group in the Philippines
CIA, Central Intelligence Agency
CINCPAC, Commander in Chief, Pacific
CINCPACAF, Commander in Chief, Pacific Air Force
CINCPACFLT, Commander in Chief, Pacific Fleet
CINCPACREPPHIL, Commander in Chief Pacific's Representative in the Philippines
CINCUSARPAC, Commander in Chief, United States Army, Pacific
COMNAVPHIL, Commander, Naval Forces, Philippines
CPC, Ceylon Petroleum Corporation
CPK, Communist Party of Kerala
CPT, Communist Party in Thailand
CT, Country Team
CU, Bureau of Educational and Cultural Affairs, Department of State
DCM, Deputy Chief of Mission
DE, destroyer escort
DLF, Development Loan Fund
DRV, Democratic Republic of Vietnam (North)
DS, Defense Support
E, Bureau of Economic Affairs, Department of State
E/AV, Aviation Division, Office of Transport and Communications, Bureau of Economic Affairs, Department of State
ECAFE, Economic Commission for Asia and the Far East
ED, Economic Development Division, Bureau of Economic Affairs, Department of State
E/OFD/FN, International Finance Division, Office of International Financial and Development Affairs, Bureau of Economic Affairs, Department of State
EURATOM, European Atomic Energy Community
EximBank, Export-Import Bank
FAO, Food and Agricultural Organization, United Nations
FE/RA, Regional Planning Adviser, Bureau of Far Eastern Affairs, Department of State
FM, Field Marshal
FYI, for your information
GA, Grand Alliance (party of the Philippines)
GATT, General Agreement on Tariffs and Trade
GOC, Government of Ceylon
GOI, Government of India
GOJ, Government of Japan
GOK, Government of Kerala
GON, Government of Nepal
GOP, Government of Pakistan
GOWB, Government of West Bengal
GOWP, Government of West Pakistan
GRC, Government of the Republic of China (Nationalist)
GVN, Government of Vietnam (South)

XX List of Abbreviations

- H**, Bureau of Congressional Relations, Department of State
- HICOM**, High Commissioner
- HMB**, Hukbo ng Mapagpalaya nang Bayan (People's Liberation Army), a military force affiliated with the Philippine Communist Party, popularly known as Huks
- HMG**, Her Majesty's Government
- Huk**, see HMB
- IAEA**, International Atomic Energy Agency
- IBRD**, International Bank for Reconstruction and Development (World Bank)
- ICA**, International Cooperation Administration
- ICAO**, International Civil Aviation Organization
- ICA/W**, International Cooperation Administration/Washington
- ICRC**, International Committee of the Red Cross
- IDA**, International Development Association
- IES**, International Educational Exchange Service
- IFC**, Industrial Finance Corporation (Thai)
- IIAF**, Imperial Iranian Air Force
- ILO**, International Labor Organization
- IMF**, International Monetary Fund
- INR**, Bureau of Intelligence and Research, Department of State
- ITU**, International Telecommunication Union (United Nations)
- JCS**, Joint Chiefs of Staff
- KLM**, Royal Dutch Airlines
- KMT**, Kuomintang
- KPCC**, Congress Party in Kerala
- L**, Office of the Legal Adviser, Department of State
- L/FE**, Office of the Assistant Legal Adviser for Far Eastern Affairs, Department of State
- LP**, Liberal Party (Philippines)
- L/SFP**, Office of the Assistant Legal Adviser for Special Functional Problems, Department of State
- LSM**, landing ship, medium
- LSSP**, Ceylon Equality Party (Trotskyite)
- MAA**, Military Assistance Agreement
- MAF**, million acre feet
- MAP**, Military Assistance Program
- MATS**, Military Air Transport Service
- MBA**, Military Base Agreement (Philippines)
- MDAF**, Mutual Defense Assistance Program
- MDB**, Mutual Defense Board
- MDT**, Mutual Defense Treaty (Philippines-U.S.)
- ME**, Middle East
- MEA**, Ministry of External Affairs (India)
- MILBA**, series indicator for telegrams relating to U.S.-Philippine military bases talks
- NAC**, National Advisory Committee
- NAT**, North Atlantic Treaty
- NATO**, North Atlantic Treaty Organization
- NC**, Nepali Congress
- ND**, News Division, Department of State
- NEA**, Bureau of Near Eastern and South Asian Affairs, Department of State
- NEA/NR**, Office of Near Eastern, South Asian Regional Affairs, Bureau of Near Eastern and South Asian Affairs, Department of State
- NIE**, National Intelligence Estimate
- NP**, Nacionalista Party (Philippines)
- NSC**, National Security Council
- NVN**, North Vietnam
- OCB**, Operations Coordinating Board
- OFD**, Office of International Financial and Development Affairs, Bureau of Economic Affairs, Department of State
- OIF/Treasury**, Office of International Finance, Treasury Department
- OISP**, Overseas Internal Security Program
- O/NESA/ICA**, Office of Near East and South Asia Operations, International Cooperation Administration
- OSD**, Office of the Secretary of Defense
- P.L.**, Public Law
- PM**, Prime Minister
- POL**, petroleum, oil, lubricants
- RC**, Red Cross
- RCT**, regimental combat team
- RG**, Records Group
- RGA**, Royal Government of Afghanistan
- ROK**, Republic of Korea (South)
- RTA**, Royal Thai Army
- RTA**, Round Table Conference Agreement
- RTAF**, Royal Thai Air Force
- RTG**, Royal Thai Government
- RTN**, Royal Thai Navy

- S/AE**, Special Assistant to the Secretary of State for Disarmament and Atomic Energy
- SAS**, Scandinavian Airlines System
- SC**, United Nations Security Council
- SCA/MC**, Office of Munitions Control, Bureau of Security and Consular Affairs, Department of State
- SEATO**, Southeast Asia Treaty Organization
- SLPP**, Sri Lanka Freedom Party (Ceylon)
- SNIE**, Special National Intelligence Estimate
- SOA**, Office of South Asian Affairs, Bureau of Near Eastern and South Asian Affairs, Department of State
- SOF(A)**, Status of Forces (Agreement)
- S/P**, Policy Planning Staff, Department of State
- SPA**, Office of Southwest Pacific Affairs, Bureau of Far Eastern Affairs, Department of State
- S/S**, Executive Secretariat, Department of State
- SYG**, Secretary-General of the United Nations
- TC**, technical cooperation
- TCM**, Technical Cooperation Mission
- TG**, Thai Government
- Toica**, series indicator for telegrams to the International Cooperation Administration from its missions abroad
- UAR**, United Arab Republic
- U/CEA**, Special Assistant to the Under Secretary of State for Communist Economic Affairs
- UK**, United Kingdom
- UKGovt**, United Kingdom Government
- U/MSC**, Deputy Coordinator for Mutual Security, Office of the Under Secretary of State
- UNCIP**, United Nations Commission for India and Pakistan
- UNP**, United National Party (Ceylon)
- UNTAA**, United Nations Technical Assistance Administration
- USAF**, United States Air Force
- USG**, United States Government
- USIA**, United States Information Agency
- USIB**, United States Intelligence Board
- USIS**, United States Information Service
- USOM**, United States Operations Mission
- USOM/A**, United States Operations Mission in Afghanistan
- USRO**, United States Mission to the North Atlantic Treaty Organization and European Regional Organizations; United States Regional Organizations
- USSR**, Union of Soviet Socialist Republics
- USUN**, United States Mission at the United Nations
- VLSSP (MEP)**, Independent Ceylonese Communist Party
- WHO**, World Health Organization
- WMO**, World Meteorological Organization (United Nations)
- W/MSC**, Special Assistant for Mutual Security Coordination, Office of the Deputy Under Secretary of State for Economic Affairs

List of Persons

Note: This list provides identification of persons only for the years 1958–1960. All titles and positions are American unless otherwise indicated. Where no dates are given, the person usually held the position throughout the period. In some cases, it has not been possible to determine all positions held.

- Adams, Robert A.W.**, Officer in Charge of India, Ceylon, and Nepal Affairs until September 1958; Deputy Director, Office of South Asian Affairs, Bureau of Near Eastern and South Asian Affairs, Department of State, September 1958–August 1959; thereafter Acting Director until August 1960
- Ahmed, Aziz**, Pakistani Ambassador to the United States until the winter of 1959
- Ali, Amjad**, Finance Minister of Pakistan until October 1958
- Allen, George V.**, Director, United States Information Agency
- Anderson, Robert B.**, Secretary of the Treasury
- Arthayukti, Visut**, Thai Ambassador to the United States from 1959
- Ayub Khan, Mohammed**, Commander in Chief of the Pakistani Army and Chief Martial Law Administrator until October 1958; thereafter President of Pakistan and Minister of Defense
- Bandaranaike, Felix Dias** (also known as Felix Dias), Minister of Finance of Ceylon from July 1960
- Bandaranaike, Solomon W.R.D.**, Prime Minister of Ceylon, Minister of Defense, and Minister of External Affairs; assassinated on September 26, 1959
- Bandaranaike, Mrs. Srimavo**, Prime Minister of Ceylon from July 1960; also Minister of External Affairs and Minister of Defense
- Bartlett, Frederic P.**, Director of the Office of South Asian Affairs, Bureau of Near Eastern and South Asian Affairs, Department of State, until August 1960
- Bell, James D.**, Director of the Office of Southwest Pacific Affairs, Department of State, from June 1960
- Bernau, Phyllis D.**, Personal Assistant to Secretary of State Dulles
- Berry, J. Lampton**, Deputy Assistant Secretary of State for Near Eastern and South Asian Affairs until fall 1958; Ambassador to Ceylon, October 1958–June 1959; Deputy Director, Bureau of Intelligence and Research, Department of State, November 1959–August 1960
- Bhumibol Adulyadej**, King of Thailand
- Bishop, Max W.**, former Ambassador to Thailand (January 1956–January 1958)
- Black, Eugene**, President of the International Bank for Reconstruction and Development (World Bank)
- Bohlen, Charles E.**, Ambassador to the Philippines until October 1959; Special Assistant to the Secretary of State from December 1959
- Brand, Robert A.**, Officer in Charge of Philippine Affairs, Department of State, to August 1960
- Bunker, Ellsworth**, Ambassador to India, also accredited to Nepal, until November 1959

XXIV List of Persons

- Bushner, Rolland H.**, Officer in Charge of Thai Affairs, Department of State, until mid-1959
- Byroade, Henry A.**, Ambassador to Afghanistan from January 1959
- Caldwell, Robert W.**, Labor Attaché at the Embassy in Pakistan, August 1958–October 1960
- Cavell, Nik**, Canadian High Commissioner in Ceylon from May 1958
- Chagla, Mohammed Ali Currim**, Indian Ambassador to the United States from 1958
- Clock, Charles P.**, Special Assistant for Military Base Matters to the Deputy Under Secretary of State for Political Affairs, June 1958–1959
- Crowe, Philip K.**, Special Assistant to the Secretary of State until February 1959; Ambassador to the Union of South Africa from April 1959
- Cumming, Hugh S., Jr.**, Director, Bureau of Intelligence and Research, Department of State
- Dahanayake, Wijayananda**, Prime Minister of Ceylon, Minister of External Affairs, and Minister of Defense, September 1959–March 1960
- Daoud, Sarder Mohammed**, Prime Minister of Afghanistan
- Desai, Morarji R.**, Indian Minister for Commerce and Industry until 1958; thereafter Finance Minister
- DeSilva, Charles Percival**, Ceylonese Minister for Lands and Land Development and Leader of the House until 1959; Minister of Agriculture, 1959; thereafter Minister of Agriculture, Lands, Irrigation, and Power
- DeZoysa, Stanley**, Ceylonese Finance Minister until November 1959; thereafter Minister of the Interior until March 1960
- Dillon, C. Douglas**, Deputy Under Secretary of State for Economic Affairs until June 1958; Under Secretary of State for Economic Affairs, July 1958–June 1959; thereafter Under Secretary of State
- Dulles, Allen W.**, Director of Central Intelligence
- Dulles, John Foster**, Secretary of State until April 1959
- Eisenhower, Dwight D.**, President of the United States
- Eisenhower, Milton S.**, member, President's Advisory Committee on Government Organization; Personal Representative of the President with rank of Special Ambassador, July–August 1958; member, National Advisory Committee for Inter-American Affairs, from November 1959
- Elwood, Robert B.**, Counselor of Embassy in Afghanistan until September 1959; thereafter Director of the Office of Intelligence Resources and Coordination, Bureau of Intelligence and Research, Department of State
- Felt, Admiral Harry D.**, USN, Commander in Chief, Pacific, from July 1958
- Fleck, Benjamin A.**, Office of South Asian Affairs, Bureau of Near Eastern and South Asian Affairs, Department of State, from September 1958
- Garcia, Carlos P.**, President of the Philippines
- Gates, Thomas S., Jr.**, Secretary of Defense from December 1959
- Gleason, S. Everett**, Deputy Executive Secretary of the National National Security Council until July 1959
- Gluck, Maxwell H.**, Ambassador to Ceylon until October 1958
- Goodpaster, Brigadier General Andrew J., Jr.**, USA, Staff Secretary to President Eisenhower
- Goonetilleke, Sir Oliver Ernest**, Governor General of Ceylon
- Gray, Gordon**, Director of the Office of Defense Mobilization until July 1958; thereafter President's Special Assistant for National Security Affairs
- Graham, Frank P.**, United Nations Representative in India and Pakistan

- Gufler, Bernard A.**, Ambassador to Ceylon from July 1959
- Gunasekera, Douglas**, Ceylonese Representative to the International Bank for Reconstruction and Development and the International Monetary Fund
- Gunewardene, Philip**, Ceylonese Minister of Food and Agriculture, until May 1959
- Gunewardene, R.S.S.**, Ceylonese Ambassador to the United States
- Hammarskjöld, Dag**, Secretary-General of the United Nations
- Hart, Parker T.**, Deputy Assistant Secretary of State for Near Eastern and South Asian Affairs from October 1958
- Herter, Christian A.**, Under Secretary of State until April 1959; thereafter Secretary of State
- Hickerson, John D.**, Ambassador to the Philippines from January 1960
- Ilangaratne, Tikri Bandara**, Ceylonese Minister for Social Services and Housing, until 1959; Minister of Home Affairs, 1959
- Illiff, Sir William A.B.**, Vice President, International Bank for Reconstruction and Development
- Irwin, John N., II**, Assistant Secretary of Defense for International Security Affairs from September 1958
- Johnson, U. Alexis**, Ambassador to Thailand from January 1958
- Jones, G. Lewis, Jr.**, Ambassador to Tunisia until June 1959; thereafter Assistant Secretary of State for Near Eastern and South Asian Affairs
- Khoman, Thanat**, Thai Ambassador to the United States until February 1959; thereafter Foreign Minister of Thailand
- Kittikachorn, Lieutenant General Thanom**, Thai Prime Minister and Minister of Defense, January–October 1958; Deputy Prime Minister and Minister of Defense from February 1959
- Knight, Robert H.**, Deputy Assistant Secretary of Defense for International Security Affairs, 1959–1960
- Kocher, Eric**, Director of the Office of Southeast Asian Affairs, Bureau of Far Eastern Affairs, Department of State, January 1958–June 1959
- Koirala, Bisweswar Prasad**, Prime Minister of Nepal, May 1959–December 1960
- Krishnamachari, Tiruvallur Thattai**, Indian Minister of Finance until 1958
- Langley, James M.**, Ambassador to Pakistan until July 1959
- Lay, James S., Jr.**, Executive Secretary of the National Security Council
- Lemnitzer, General Lyman L.**, USA, Vice Chief of Staff of the Army until July 1959; Chief of Staff, July 1959–September 1960; Chairman, Joint Chiefs of Staff, from October 1960
- Lodge, Henry Cabot**, Representative at the United Nations until September 1960
- Macapagal, Diosdado**, Vice President of the Philippines
- Maffitt, Edward P.**, Counselor of the Embassy in India; also Counselor of the Embassy in Nepal until August 1959
- Mahendra Bir Bikram Shah Deva**, King of Nepal
- Maiwandwal, Mohammad Hashim**, Afghan Ambassador to the United States from May 1958
- McCone, John A.**, Chairman of the Atomic Energy Commission
- McElroy, Neil H.**, Secretary of Defense until December 1959
- Mehta, Gaganvihari L.**, Indian Ambassador to the United States until 1958
- Mein, John Gordon**, Director, Office of Southwest Pacific Affairs, Bureau of Far Eastern Affairs, Department of State, until May 1960
- Menon, V.K. Krishna**, Indian Minister of Defense

XXVI List of Persons

- Merchant, Livingston T.**, Ambassador to Canada until November 1958; Assistant Secretary of State for European Affairs, November 1958–August 1959; Deputy Under Secretary of State for Political Affairs, August–December 1959; thereafter Under Secretary of State for Political Affairs
- Meyer, Armin H.**, Deputy Director, Office of Near Eastern Affairs, Bureau of Near Eastern and South Asian Affairs, Department of State, from September 1958; Director from September 1959
- Mills, Sheldon T.**, Ambassador to Afghanistan until February 1959
- Mirza, Major General Iskander**, President of Pakistan until October 1958
- Mueller, Frederick H.**, Under Secretary of Commerce, 1958–1959; thereafter Secretary of Commerce
- Murphy, Robert D.**, Deputy Under Secretary of State for Political Affairs until August 1959; Under Secretary of State for Political Affairs, August 1959–December 1959; also U.S. member, U.S.–U.K. good offices mission to Tunisia and France
- Naim, Prince Mohammed**, Deputy Prime Minister and Foreign Minister of Afghanistan
- Nehru, B.K.**, Joint Secretary, Indian Ministry of Finance
- Nehru, Jawaharlal**, Prime Minister of India and Minister for External Affairs and Commonwealth Relations
- Nixon, Richard M.**, Vice President of the United States
- Noon, Malik Firoz Khan**, Prime Minister of Pakistan until October 1958
- Parsons, J. Graham**, Deputy Assistant Secretary of State for Far Eastern Affairs until June 1959; thereafter Assistant Secretary
- Perera, N.M.**, Ceylonese politician, leader of the LSSP (Lanka Sama Samaja Parby, the Trotskyite Ceylon Equality Party)
- Pillai, Sir Narayana Raghaven**, Secretary-General, Indian Ministry of External Affairs
- Pote Sarasin**, Prime Minister of Thailand until January 1958; Secretary General of SEATO
- Poullada, Leon B.**, Officer in Charge of Pakistan–Afghanistan Affairs, Office of South Asian Affairs, Bureau of Near Eastern and South Asian Affairs, Department of State, February 1959–August 1960; thereafter Deputy Director, Office of South Asian Affairs
- Qadir, Manzur**, Pakistani Minister of Foreign Affairs and Commonwealth Relations from October 1958
- Radhakrishnan, Sarvepalli**, Vice President of India
- Riddleberger, James W.**, Director of the International Cooperation Administration from March 1959
- Roach, John L.**, Deputy Director of the International Cooperation Administration, February 1958–November 1958; Director, U.S. Operations Mission in Colombo, November 1958–September 1960
- Robertson, Walter S.**, Assistant Secretary of State for Far Eastern Affairs until June 1959
- Romulo, Carlos P.**, Philippine Ambassador to the United States
- Rountree, William M.**, Assistant Secretary of State for Near Eastern, South Asian, and African Affairs (Near Eastern and South Asian Affairs as of August 1958) until July 1959; Ambassador to Pakistan from August 1959
- Sarasin**, *see* Pote Sarasin
- Scribner, Fred C., Jr.**, Under Secretary of the Treasury until 1958; thereafter Deputy Assistant to the President
- Senanayake, Dudley**, Prime Minister of Ceylon, Minister of External Affairs, and Defense Minister, March–July 1960

- Serrano, Felixberto M.**, Permanent Philippine Representative to the United Nations and Acting Minister of Foreign Affairs until 1958; thereafter Foreign Minister
- Shaha, Rishikesh**, Nepalese Ambassador to the United States from October 1958; appointed Minister of Economic Affairs and Finance in December 1960
- Shoab, Mohammed**, Pakistani Minister of Finance from November 1958
- Smith, James H., Jr.**, Director of the International Cooperation Administration until March 1959
- Smith, Henry T.**, Counselor of the Embassy in Ceylon until February 1959
- Smith, Rufus Burr**, Officer in Charge of Economic Affairs, Office of South Asian Affairs, Bureau of Near Eastern, South Asian, and African Affairs, 1958; Counselor of Embassy in Ceylon from August 1958; Economic Counselor at the Embassy in India from July 1960
- Snyder, Robert M.**, Chief of the U.S. Operations Mission in Afghanistan until 1959
- Soulen, Garrett H.**, Officer in Charge of Pakistan-Afghanistan Affairs, Office of South Asian Affairs, Bureau of Near Eastern and South Asian Affairs, Department of State, until February 1959
- Spielman, Henry W.**, Officer in Charge of Economic Affairs, Office of South Asian Affairs, Bureau of Near Eastern and South Asian Affairs, Department of State, February 1959-August 1960; thereafter Officer in Charge of Pakistan-Afghanistan Affairs
- Sprague, Mansfield D.**, Assistant Secretary of Defense for International Security Affairs until September 1958
- Springsteen, George S., Jr.**, General Finance Officer, Development Loan Fund, from November 1958
- Stans, Maurice H.**, Director of the Bureau of the Budget from March 1958
- Tennekoon, T.G.**, Acting Permanent Secretary of the Ministry of External Affairs of Ceylon, May 1958-July 1959
- Thanarit, Sarit**, Supreme Commander of the Thai Armed Forces until February 1959; thereafter Prime Minister of Thailand
- Thapan, Nara Pratap**, Nepalese Secretary of Foreign Affairs until 1959
- Turnage, William V.**, Acting Director, Office of International Finance and Development Affairs, Bureau of Economic Affairs, Department of State, October 1959-February 1960; Special Assistant to the Assistant Secretary of State for Economic Affairs from November 1959
- Twining, General Nathan F.**, USAF, Chairman of the Joint Chiefs of Staff until September 1960
- Wan Waithayakon Krommun Naradhip Bongsprabandh, Prince**, Foreign Minister of Thailand until October 1958; Deputy Prime Minister from February 1959
- Weil, Thomas Eliot**, Acting Director and then Director of the Office of South Asian Affairs, Bureau of Near Eastern and South Asian Affairs, Department of State, after August 1960
- Zahir Shah, Mohammed**, King of Afghanistan

South Asia

U.S. POLICY TOWARD THE SOUTH ASIA REGION¹

1. Paper Prepared by the National Security Council Planning Board²

Washington, May 26, 1959.

DISCUSSION PAPER ON ISSUES AFFECTING U.S. POLICY TOWARD SOUTH ASIA

I. Introduction—Importance of South Asia

1. The problem of how great an effort the Western Powers should make to build up a position of greater Free World strength in South Asia is given new prominence by the rapid growth in Chinese Communist power. The likelihood that this growth will intensify the threat posed to Free World interests in Asia over the next decade underlines the desirability of developing in India a successful alternative to Communism in an Asiatic context.

2. In the nations of South Asia (India, Pakistan, Afghanistan, Ceylon, and Nepal) there is considerable potential for achieving this goal. These nations have a population of over 500 million, or one quarter of the Free World total. Strategically located athwart the land and sea lanes of communication between the Middle and Far East, South Asia has valuable natural resources, including India's rich iron and coal deposits. India and Pakistan inherited from the British a

¹ Continued from *Foreign Relations, 1955–1957*, vol. VIII, pp. 1 ff. A combined microfiche supplement to this volume and volume XVI will be published covering the East Asia-Pacific region, Cambodia, Laos, Burma, and Malaya.

² Source: Department of State, S/S–NSC Files: Lot 63 D 351, NSC 5701 Series. Secret. A slightly different version of this paper was first transmitted to the NSC on May 22, under cover of a brief note by James S. Lay. According to a note on the source text, certain portions of section II of the original paper were revised on May 25 and May 26 (see footnote 8 below), and the revised paper was again submitted to the NSC on May 26, under cover of a brief covering memorandum by Lay.

On May 26, Assistant Secretary Rountree transmitted a copy of this discussion paper to Acting Secretary Dillon, under cover of a four-page memorandum that summarized its contents. (Department of State, S/S–NSC Files: Lot 63 D 351, NSC 5701 Series)

tradition of sound administration and a good civil service, and a common language, English, which makes possible communication between the various cultural groups inhabiting the sub-continent. India also inherited an extensive rail network.

3. However, critical internal problems, internecine strife among the area nations, and neutralist foreign policies by all but one of them pose serious obstacles to the emergence of a strong and stable South Asia. Despite an impressive volume of external assistance (roughly \$4.5 billion provided or pledged in the last four or five years)³ the area continues beset by a multitude of political, social and economic problems. Living standards are extremely low and efforts to improve them are seriously impeded by continued rapid population growth, low productivity, inadequate financial resources, shortages in trained personnel, and inflation. As for India's political and social life, divisive regional, linguistic, caste and religious differences still exist, despite Nehru's partly successful efforts to eradicate them. The cohesive and popular appeal of the Congress Party is gradually deteriorating with no alternative unifying force other than the Communists in sight. In Pakistan, little sense of identity exists as yet between the vastly different eastern and western parts of the country. Ceylon suffers from governmental instability and Tamil-Sinhalese differences. In Afghanistan tribal and religious factors remain potent obstacles to the evolution of a modern state.

4. Except for Pakistan, which is a member of SEATO and the Baghdad Pact, the nations of the area have adopted a policy of neutralism. In India and Ceylon, the problem of growing Communist strength is a serious one. The Sino-Soviet bloc continues to give South Asia,⁴ especially Afghanistan and India, high priority in its long-range plans for the expansion of Communist influence in Asia. However, the governments and major political parties appear to be becoming increasingly aware of their own self-interest in blocking Communist subversion and maintaining anti-Communist policies domestically.

5. The withdrawal of British authority from the sub-continent and the creation of Pakistan in 1947, arising out of centuries of Muslim-Hindu antagonism, created numerous problems which have embittered Indo-Pakistan relations and have prevented the two countries from cooperating, for their mutual benefit, in the economic develop-

³ Includes: since 1955 approximately \$2.1 billion in economic aid (including about \$1 billion under PL 480) and \$500 million in military aid from the United States, \$700 million from other Free World Nations and \$700 million from international institutions; since 1954 \$541 million in credits and grants from the Bloc, all for economic projects, except for \$32 million to Afghanistan for military purchases. [Footnote in the source text.]

⁴ A recent sharp increase in the tempo and scope of the Soviet economic offensive in India has been confirmed by our Ambassador in New Delhi. [Footnote in the source text.]

ment of the sub-continent and in planning for its defense. The more important of these continuing problems are the Indus waters problem, the Kashmir question, and border disputes resulting from the failure to demarcate large stretches of the common boundaries of the two countries. In addition there is the dispute between Afghanistan and Pakistan over those Pakistani areas occupied by tribesmen ethnically related to the Afghans.

6. The United States has followed a consistent policy of not becoming involved in these bilateral disputes but urging the governments concerned to attempt to reach mutually agreeable settlements. By sponsoring and financing a tripartite regional transit project, the United States has sought to reduce Pak-Afghan tensions. In the case of the Kashmir question, we have supported efforts by the United Nations to facilitate such a settlement.

7. At the present time, there is hope that the IBRD, under the auspices of which India and Pakistan have been negotiating the Indus waters problem, will be able to secure the consent of both governments to a plan for settlement of this dispute which the Bank will soon put forward. Although the United States has not participated in the Indus waters negotiations, we have encouraged the IBRD in its efforts, and it is expected that we will be requested to participate with the IBRD and others in the financing of whatever plan may be agreed upon by India and Pakistan.

8. If agreement on the Indus waters problem is reached, it is hoped that tensions between the two countries will be so reduced as to make possible the achievement of settlements of the remaining disputes. Such a settlement might bring about a halt in the continuing rivalry between the two countries in building up their military forces and might lead them to cooperate in planning for the defense of the sub-continent. The possibility of rapprochement has been somewhat enhanced by the deterioration in Indian-Communist Chinese relations as a result of the Tibetan revolt and by the general re-evaluation of relations with the Communist Chinese regime occasioned throughout South Asia by that development. In this connection, the United States might discreetly utilize the Tibetan revolt and its impact in South Asia in order to improve the general position of the United States in this area.

II. Issues for Discussion

9. *India's Role in Asia.* U.S. policy toward Japan (NSC 5516/1)⁵ provides that our "interest would best be served by a strong Japan, firmly allied with the United States, and better able to serve as a

⁵ For text of NSC 5516/1, dated April 9, 1955, see *Foreign Relations, 1955-1957*, vol. XXIII, Part 1, pp. 52-62.

*counterweight to Communist China and contribute to Free World strength*⁶ in the Far East". Our policy toward India (NSC 5701)⁷ provides that "It is in the U.S. national interest that the genuine independence of India be strengthened and that a moderate, non-Communist government succeed in consolidating the allegiance of the Indian people *A strong India would be a successful example of an alternative to Communism in an Asian context*⁶"⁸ In view of the intensified threat to Free World interests in Asia posed by the rapid growth in Chinese Communist power, should our basic objective toward India be stated more correctly as *the development of a strong India, more friendly to the United States, and better able to serve as a counterweight to Communist China?*

10. *Problems of Economic Development.* There is strong pressure for more rapid economic growth in South Asia, particularly in India, Pakistan and Ceylon. Despite heavy foreign aid to South Asia, Pakistan and Ceylon have been barely able to maintain a constant per capita income. While India has achieved the beginnings of economic growth, a continuance of such growth will require an investment in foreign exchange over a period of years of a magnitude which may be beyond the country's current and anticipated domestic resources. Because economic growth in this area is in the U.S. interest, the United States must determine how it can best contribute to this growth, recognizing that rates of growth depend not only on the availability of capital but on many factors, including the natural resources of a country, the efficiency with which the development effort is organized, the availability of technical and administrative skills, the rate of population growth, and the willingness of the peoples to change their customs and traditions and to forego current improvement in living standards in order to maximize investments. The United States must also determine the most effective techniques for extending aid to the nations of the area. U.S. policy is to consider the channeling of development assistance through regional development programs in areas where the governments concerned clearly manifest a desire for such regional programs and are willing to join in their financial support, and where such programs appear to offer real advantages over bilateral programs. Furthermore, it is the policy of the United States not to become a member of regional financing institutions outside the Western Hemisphere.⁹

⁶ Underlining added. [Footnote in the source text. Printed here as italics.]

⁷ Dated January 10, 1957; see *Foreign Relations, 1955–1957*, vol. VIII, pp. 29–43.

⁸ Ellipses in the source text.

⁹ In the original version of the paper, dated May 22, this section reads as follows: "U.S. policy is to consider the channeling of development assistance through regional development programs only if such programs are established at the initiative of, and supported financially by the governments of the areas involved, and if the advantage of a regional approach over a national approach is clearly evident. Furthermore, the U.S.

a. Should the United States continue to provide and continue to encourage other Free World countries to provide, economic and technical assistance to South Asia on a project or case basis?

b. Alternatively, is a higher rate of economic growth in South Asia of such importance as to warrant a new approach to economic assistance which would involve a significantly greater U.S. and Free World effort? If so, should the United States:

(1) Assure the governments concerned that it will attempt to provide supplementary financing to carry out the governments' own development plans, or

(2) Give assurances of the willingness of the United States to assist in both the formulation and financing of programs aimed at achieving more rapid rates of economic growth?

c. Would the effectiveness of the U.S. programs in South Asia be enhanced if legislative authority were obtained to provide aid on a multi-year basis? Could the United States give such assurances without taking similar action in other less developed nations, e.g., in Latin America?

d. Should the United States move toward a regional approach to South Asia's economic problems, taking the initiative in attempting to create a regional organization that would develop economic plans for the area, and providing at least some U.S. aid through such an organization?

e. To what extent is it in the U.S. interest to seek to relate U.S. assistance to the achievement of greater cooperation between India and Pakistan? For example, if the United States is called on to help finance the IBRD plan for settling the Indus waters dispute, should U.S. participation be made conditional on willingness by India and Pakistan to cooperate further, for mutual benefit, in the economic development of the sub-continent, in planning for its defense, and in terminating continuing rivalry between the two countries in building their military forces?

11. *Military Aid to Pakistan.* With the approaching fulfillment of the 1954 military aid commitment to Pakistan, past equipment deficiencies in the forces supported under MAP have been largely met.¹⁰ A recent review by the Joint Chiefs of Staff of U.S. force objectives in Pakistan concludes that a reduction in U.S. force objectives for Pakistan is not appropriate, at least for the near future. No major changes in these objectives are now contemplated under present planning. This review took into account such factors as Baghdad Pact and SEATO country force goals, increasing Communist Chinese strength, Paki-

has not accepted [it is the policy of the United States not to accept] membership in regional financing institutions outside the Western Hemisphere." The bracketed portion was a proposed addition by the Treasury Department. (National Archives and Records Administration, RG 218, JCS Files)

¹⁰ The U.S. agreed to meet deficiencies in the then existing Pakistani armed forces: (a) 4 infantry divisions and 1½ armored divisions; (b) 12 vessels, including destroyers and minesweepers; and (c) six squadrons of aircraft (3 fighter-bomber, 1 interceptor day fighter, 1 light bomber, and 1 transport). [Footnote in the source text.]

stan's economic situation, and the fact that some of Pakistan's non-MAP-supported units constitute the sole security force in East Pakistan. However, Pakistan, for what it considers to be internal security and self-defense requirements, maintains and supports certain military and para-military forces in excess of those considered necessary by the United States on the basis of strategic requirements. The over-all Pakistan military establishment places a heavy burden on the Pakistan economy. Pakistan's armed forces are the greatest single stabilizing force in the country, and Pakistan not only opposes reduction of its forces but has requested U.S. assistance in support of those units not now supported. Attempts by the United States to obtain Pakistan's agreement to reduce its military establishment to the levels of U.S. force objectives and to dedicate more of its budgetary resources to economic development rather than to military spending would be more likely to be successful if tensions between Pakistan and India are significantly reduced. Should the United States:

a. Continue to provide military support to the current level of MAP forces, making allowance for maintenance and necessary modernization?

b. Seek a reduction in those Pakistani forces which are not now supported by the United States but which are in excess of U.S. strategic force goals, thus releasing Pakistani funds which could be used for economic development?

c. Seek to reduce Pakistan's MAP-supported forces below the level now considered necessary to support U.S. force objectives, accepting this risk in order to assist Pakistan's economic development?

d. Increase military assistance to provide support to some or all of the existing units not heretofore given military support, in order to aid the Pakistanis in meeting what they consider their irreducible minimum in defense forces?

2. Memorandum of Discussion at the 408th Meeting of the National Security Council, Washington, May 28, 1959¹

[Here follow a paragraph listing the participants at the meeting and agenda item 1, "Significant World Developments Affecting U.S. Security." For an extract from that discussion, see Document 230.]

¹ Source: Eisenhower Library, Whitman File, NSC Records. Top Secret; Eyes Only. Drafted by S. Everett Gleason.

2. *U.S. Policy Toward South Asia* (NSC 5701; OCB Report on NSC 5701, dated March 18, 1959;² Memo for NSC from Executive Secretary, same subject, dated May 22, 1959³)

Mr. Harr⁴ initially briefed the Council on the highlights of the OCB Report on South Asia, noting the OCB recommendation for a review of NSC 5701 with respect to Pakistan, India, and Ceylon. Mr. Harr's comments stressed the very low standards of living in the area, particularly in India, Pakistan, and Afghanistan. While he singled out Soviet successes and capabilities in spreading Communism in the South Asian nations, he also pointed out some of the obstacles which confront the Soviets. He noted the hopeful possibility that a solution might be in the offing for the dispute between India and Pakistan on the Indus Waters. His report concluded with a brief run-down of developments in the several countries composing the area covered by our policy on South Asia.

Mr. Gray, after noting that the Planning Board would commence at once its review of NSC 5701, asked Secretary Dillon if he had any comments to make with respect to the problem of the Indus Waters.

Secretary Dillon began by emphasizing that a settlement of the Indus Waters problem would actually go further to reduce tensions between Pakistan and India than would a settlement of the Kashmir dispute, although the two problems were related. Secretary Dillon pointed out that some 80 per cent of the water that comes from the Indus was used by Pakistan for the irrigation of agricultural lands. This figure amounted to more than one-half of the total water used for irrigation in Pakistan. It would be a calamity to Pakistan if this water which came from India were to be denied to Pakistan. Mr. Dillon then indicated in outline the general nature of the plans being devised to settle this dispute. Essentially, he said that what Mr. Black had accomplished consisted of an agreement by India not to shut off the Indus Waters until the irrigation projects for Pakistan had been completed. Moreover, India had undertaken to make a substantial contribution to the costs of the irrigation dams.

Secretary Dillon said that the overall cost of Mr. Black's plan for settling the Indus dispute amounted to about one billion dollars. This total, however, included such matters as power facilities as well as irrigation dams and canals. Much benefit would result for India as well as for Pakistan. The foreign exchange costs would inevitably be very large. It was hoped that the U.S. would supply perhaps \$275 million of foreign exchange costs. It was hoped to get an additional \$100

² Not printed. (Department of State, S/S-NSC Files: Lot 63 D 351, NSC 5701 Series)

³ See footnote 2, *supra*.

⁴ Karl G. Harr, Jr., Vice Chairman of the OCB.

million from countries of the British Commonwealth. The rest of the costs would be supplied by the International Bank for Reconstruction and Development (IBRD). These costs would extend over a period of ten years. The U.S. contribution would probably have to be made on a grant basis by means of a special item in the Mutual Security Program. U.S. expenditures for any one year would have as a maximum \$40 million.

At the conclusion of his comment Secretary Dillon cautioned that what Mr. Black had brought back was simply an agreement in principle. The problem now facing Mr. Black was to transform this agreement in principle into an agreement on specific and concrete details.

When Secretary Dillon had concluded his remarks, Mr. Gray commented that his statement led quite naturally to one of the questions raised by the Discussion Paper on U.S. Policy toward South Asia which Paper had been prepared by the NSC Planning Board with a view to securing useful guidance in the Planning Board's forthcoming review of NSC 5701.⁵ The specific question Mr. Gray had in mind was set forth in sub-paragraph 10–e on Page 5 of the Discussion Paper. Mr. Gray read the question as follows:

“e. To what extent is it in the U.S. interest to seek to relate U.S. assistance to the achievement of greater cooperation between India and Pakistan? For example, if the United States is called on to help finance the IBRD plan for settling the Indus waters dispute, should U.S. participation be made conditional on willingness by India and Pakistan to cooperate further, for mutual benefit, in the economic development of the sub-continent, in planning for its defense, and in terminating continuing rivalry between the two countries in building their military forces?”

Mr. Gray then invited Secretary Dillon's comment on the question from the Discussion Paper which he had read. Secretary Dillon replied that he felt very strongly that the U.S. should not attach conditions to its assistance in achieving the settlement of the Indus Waters dispute. It was much too important to find some genuine solution to the dispute and we might very well fail to get the issue settled if we insisted on attaching conditions designed to compel greater cooperation between India and Pakistan. We do feel, however, that a solution of the Indus Waters dispute will in and of itself produce a new climate in which tensions between India and Pakistan could be lessened. He added that he thought that we should certainly conduct parallel efforts to reduce tensions between India and Pakistan and indeed we have already entered upon this process which involved both reduction of military force levels in the two countries and greater economic cooper-

⁵ *Supra.*

ation between them. This process, however, he emphasized was not the same as attaching conditions to assisting in a settlement of the Indus Waters dispute.

The President commented that as he saw it this was essentially a selling job by the U.S. rather than a job involving conditions set upon our aid. Mr. George Allen noted the analogy between the effort to divide the waters of the Indus and Mr. Eric Johnston's efforts to deal with the problem of the Jordan Waters.

Mr. Gray then stated that the next issue on which he would like to have the Council's guidance was found in Paragraph 9 on Page 4 of the Discussion Paper and was concerned with India's role in Asia and the basic objectives of the U.S. vis-à-vis India. Was India to serve as a counter-weight to Communist China or was India to be a successful example of an alternative to Communism in Asia? The point, said Mr. Gray, seemed to be whether the U.S. could reasonably expect a democratic India ever to become a successful alternative to a monolithic Communist China. We would, thought Mr. Gray, be on a dangerous wicket if we were to undertake to make the economic growth of India competitive with that of Communist China. Should we simply try as an objective to keep India from going Communist or alternatively should our objective be something more ambitious? Mr. Gray did not think that all the responsible elements in our government were in agreement with respect to these objectives.

The President observed that he thought we must all remember that India had never announced any readiness to align itself with the West as an opponent of Communism, as Japan for instance has. We could not talk of a counterweight if the nation in question refuses to be a counterweight. Personally, the President said he believed the Indians were wise to adopt their attitude of non-alignment, looked at from the point of view of what was advantageous to India in a difficult situation. So, continued the President, while it was obviously important for the U.S. to help India to prove itself, we should not think of India in terms of a counterweight to Communist China. India simply could not afford to play the role of counterweight. The President added that he was not very sympathetic with the widespread Congressional attitude of criticism with respect to aid provided by the U.S. to neutral nations. He also added the thought that if the U.S. were actually to try to make India a counterweight to Communist China, the task would be so great that we would probably bankrupt ourselves in the process. Accordingly, he counselled that it was best not to take any black and white position on the counterweight issue. On the other hand, it was very important to give India a chance to grow as a free and democratic country.

Secretary Dillon explained that he found the question that Mr. Gray and the Discussion Paper posed boiled down to how much, both in dollars and other efforts, the U.S. should devote to helping India to succeed in its objectives and also to determine what would constitute the measure of India's success. Secretary Dillon emphasized that he did not think the measure of success for India could be calculated in terms of year by year competition with Communist China. India would simply not be able to do this while still preserving the methods and techniques of a free society. On the other hand, Secretary Dillon suggested that there was perhaps not as much difference as we were inclined to believe in the rate of growth that India must demonstrate in order to preserve her freedom. He said he did not think it was realistic for the U.S. to adopt a policy of giving India only so much aid as we calculated would be sufficient to prevent India from going Communist. Such a calculation was essentially unrealistic. India was a country that was of vital importance to the U.S. If the Indians succeeded in achieving their objectives, India might well prove to be a counter-attraction if not a counterweight to Communist China. Moreover, India was sufficiently advanced so that there was a real possibility that she would achieve self-sufficiency in a given period of time with some help from outside. The leaders of India hoped to achieve this status of self-sufficiency in about ten years time after perhaps a fourth Five Year Plan. Attainment of this objective will be the great test for India. It will determine whether India can support itself with its enormous population while still adhering to the democratic system and values.

Secretary Dillon then emphasized that the Soviet Union has entered fully into this contest over the fate of India. He pointed out Ambassador Bunker's concern, expressed in a recent telegram, about the Soviet contribution for the forthcoming third Five Year Plan.⁶ He pointed out that of course Soviet assistance to India could be provided on a multi-year basis which gave the Soviets a very great advantage over us who can provide assistance only on a yearly basis. He added that there was great anxiety lest, as a result of Soviet assistance, India should become unduly dependent on the Soviet Union for support. Accordingly, concluded Secretary Dillon, the U.S. did need to find some means by which we could put our own assistance to India on a long-range basis in order to overcome this built-in Soviet advantage.

The other big problem with regard to India, said Secretary Dillon, was the matter of the role of private investment and private enterprise. He felt that recently real progress had been achieved in recognition by India of the need to develop the private sector of the economy. In turn,

⁶ Reference is presumably to telegram 2791 from New Delhi, May 13, in which Ambassador Bunker reported: "Recent indications sharp increase tempo and scope Soviet economic offensive India now confirmed and documented [*less than 1 line of source text not declassified*]." (Department of State, Central Files, 861.0091/5-1359)

our American industrialists and capitalists have become more and more interested in the possibilities of successful investment in India. The State Department was doing its best to advance this point of view. We did feel that India was the most crucial area in the economic contest between the U.S. and the U.S. S. R.

The President repeated his view that while he hoped that India would some day become a great counterweight to Communist China, he did not believe that we should now base our policy on this specific objective. The President then reverted to his frequently expressed concern about the problem of explosive population growth particularly in underdeveloped countries like India. The problem, he added, was a constant worry to him and from time to time almost reduced him to despair. He felt that our people must face up to the problem of population growth.

Secretary Dillon replied that at least in India, as opposed to other areas involved in the population problem, the leaders fully recognized the magnitude of the problem. Moreover, it was a cardinal policy of the Indian Government to try to hold down the birth rate. The only method so far devised to do this was sterilization and abortion. He wished that we could find some kind of very inexpensive chemical contraceptive. There was also a study of the possibility that more widespread education may ultimately provide the key to solving the problem.

The President commented that of course we faced the problem in Latin America as well as in Asia and there we were confronted by obstacles involving religion and dogma. On the other hand, an increase of eight million people each year in India seemed to the President to be almost self-defeating for our efforts.

Admiral Strauss pointed out that while the Gross National Product in India has been increasing in recent years, the per capita income of the country has not increased. With respect to Ambassador Bunker's telegram from New Delhi, earlier mentioned by Secretary Dillon, Admiral Strauss said that he wished to make a comment. He said that it seemed to him that the total amount of aid needed by India was much greater in amount than could ever be supplied by governments. The only real hope, therefore, lay in the supply of private capital. Accordingly, it should be the policy of the U.S. not to encourage India to build up large-scale Government-owned industries. To do so would not only be contrary to our own traditions, it would mean that many people throughout the world would say that the U.S. had no faith in its free enterprise system.

The President replied that Nehru now recognizes that India must depend much more than he had originally imagined on private industry. This of course, cautioned the President, did not mean that we were likely to see a wholesale and completely free enterprise in India.

(At this point, about 10:30 a.m., the President announced that he would be obliged in a few minutes to leave the meeting in order to meet with the Foreign Ministers who had flown over from Geneva for the funeral of the late Secretary of State.⁷ He added that he had a few matters to present to the Council before leaving. The points raised by the President are set forth at the end of this Memorandum.)⁸

When the President had left the Cabinet Room together with certain other participants at the meeting, Mr. Gray asked those who remained at the Council table whether he might proceed with one or more of the remaining difficult questions which were raised by the Discussion Paper on South Asia. He then turned to sub-paragraphs 10–a and –b on Page 5 of the Paper reading as follows:

“a. Should the United States continue to provide and continue to encourage other Free World countries to provide, economic and technical assistance to South Asia on a project or case basis?

“b. Alternatively, is a higher rate of economic growth in South Asia of such importance as to warrant a new approach to economic assistance which would involve a significantly greater U.S. and Free World effort? If so, should the U.S. :

“(1) Assure the governments concerned that it will attempt to provide supplementary financing to carry out the governments’ own development plans, or

“(2) Give assurances of the willingness of the U.S. to assist in both the formulation and financing of programs aimed at achieving more rapid rates of economic growth?”

He also called attention to sub-paragraph 10–c on Page 5 reading as follows:

“c. Would the effectiveness of the U.S. programs in South Asia be enhanced if legislative authority were obtained to provide aid on a multi-year basis? Could the United States give such assurances without taking similar action in other less developed nations, e.g., in Latin America?”

With respect to the latter sub-paragraph Mr. Gray pointed out that this was a matter of very great concern to elements in our Government who entertained opposing views. Mr. McCone asked what was the essence of the problem?

Secretary Dillon replied that in its essentials the problem was simple. It was a matter of finding there means of financing aid to these nations without doing violence to our financial traditions and principles. He feared that the Treasury Department was strongly opposed to providing aid on a multi-year basis.

⁷ Former Secretary of State Dulles died on May 24; he had resigned for reasons of health on April 22.

⁸ Not printed.

Secretary McElroy inquired whether the Soviet economic assistance to India took the form of loans or of grant aid? Secretary Dillon replied that most of the assistance provided by the Soviet Union to India was in the form of loans but he warned that the Soviet Government could be flexible if need be, as had been demonstrated by its grant aid to Nepal.

Mr. Gray inquired whether it would be possible for the U.S. to undertake to provide aid to India on a multi-year basis without being obliged to use similar methods in other areas of the world and most particularly in Latin America. Secretary Dillon replied that such a course of action was possible and seemed to imply a preference for the provision of aid on a multi-year basis as opposed to providing aid on a year by year basis.

Mr. Gray then suggested that it was perhaps unwise for the Council to pursue this issue in the absence of the President and said he would try to undertake to have the Planning Board frame the issue in clearer form.

Secretary Dillon warned that we needed a decision in the matter of legislative authority for provision of aid on a multi-year basis in order to respond to Senator Fulbright's position on the Hill. Mr. Stans, however, insisted that there was more to the problem than a simple decision as to whether the U.S. was going to provide assistance to other nations on a year by year basis or over a longer range of time. The fundamental problem in Mr. Stans' view was whether we would resort to "backdoor financing." This, said Mr. Stans, is what Senator Fulbright was advocating. He would authorize extension of aid on a multi-year basis but Congress would appropriate money only on a year by year basis with the result, said Mr. Stans, that we would have to go to the Treasury to get the money needed to carry out our commitments. In short, how do we commit ourselves to a long-range aid program without at the same time getting from Congress long-range appropriations? This was the major problem that had to be resolved.

Mr. Stans also said that there was yet another problem in connection with the extension of long-range aid. Were we to deal with multi-year programs through the medium of existing institutions or were we to create other institutions for this purpose? He felt that a discussion of these problems in the NSC Planning Board or elsewhere should be used to develop these points before they are brought back to the NSC.

Mr. Gray expressed the opinion that the kind of questions posed by Mr. Stans were not appropriate for solution in the Planning Board or in the NSC itself. These questions involved techniques rather than policy. The real problem, as it appeared to Mr. Gray, was what policy differences existed with respect to South Asia.

Mr. Scribner said he assumed that Mr. Gray would bring these matters up at a later meeting. Mr. Gray replied that he intended to do so but not in the form of further consideration of the Discussion Paper but as part of a revised statement of policy on South Asia which would presumably contain split views.

Mr. Scribner said he had a question to put to Secretary Dillon. Was it Secretary Dillon's thought that we should now depart from our policy, with respect to foreign aid, of trying to find aid projects which seemed promising, and instead shift to some kind of general assistance project which really amounted to nothing more than pumping a certain amount of money into a country like India regardless of how it was to be spent? Secretary Dillon denied any intention to move in this latter direction and said he fully agreed with the Treasury on the need to come to an agreement with India with respect to the projects for which the U.S. would provide financial assistance.

*The National Security Council:*⁹

a. Noted the reference Report on the subject by the Operations Coordinating Board.

b. Discussed certain issues affecting U.S. policy toward South Asia, in the light of the Discussion Paper on the subject prepared by the NSC Planning Board and transmitted by the reference memorandum of May 22, 1959.

c. Noted that the NSC Planning Board would review and prepare a report on U.S. policy toward South Asia (to supersede NSC 5701), taking into account the OCB Report and the discussion at this meeting.

[Here follow the remaining agenda items.]

S. Everett Gleason

⁹ Paragraphs a–c that follow constitute NSC Action No. 2094. (Department of State, S/S–NSC (Miscellaneous) Files: Lot 66 D 95)

3. Editorial Note

On July 22, the NSC Planning Board completed NSC 5909, "U.S. Policy Toward South Asia," a draft statement of policy on the subject which, if adopted by the NSC, was intended to supersede NSC 5701. The paper was transmitted to the NSC that same day, under cover of a memorandum by James Lay; it was scheduled for consideration by the Council at its meeting of August 6. (Department of State, S/S–NSC Files: Lot 63 D 351, NSC 5909)

NSC 5909 was discussed by the NSC at meetings on August 6 and August 18; see *infra* and Document 5. An amended version of the paper was approved by the President and circulated as NSC 5909/1 on August 21. NSC 5909/1 is printed as Document 6.

4. Memorandum of Discussion at the 416th Meeting of the National Security Council, Washington, August 6, 1959¹

[Here follow a paragraph listing the participants at the meeting and agenda item 1, "Significant World Developments Affecting U.S. Security." For an extract of that discussion, see Document 134.]

2. *U.S. Policy Toward South Asia* (NSC 5701; OCB Report on NSC 5701, dated March 18, 1959;² Memos for NSC from Executive Secretary, same subject, dated May 22³ and August 5, 1959;⁴ NSC Action No. 2094;⁵ NIE 52-59;⁶ SNIE 54-59;⁷ NSC 5909⁸)

Mr. Gray presented NSC 5909 to the Council. (A copy of Mr. Gray's briefing note is filed in the Minutes of the Meeting and another is attached to this Memorandum).⁹

When Mr. Gray referred to the footnote on Page 5 of NSC 5909, Secretary Dillon said that the figure of 2.1 billion in the footnote did not take account of scheduled repayments.¹⁰ He was not particularly concerned about this matter, since the new Indian third Five-Year Plan would not be adopted for six or seven months. However, he felt the

¹ Source: Eisenhower Library, Whitman File, NSC Records. Top Secret. Drafted by Marion W. Boggs.

² Not printed.

³ See footnote 2, Document 1.

⁴ This memorandum transmitted a memorandum from the Joint Chiefs of Staff, dated August 4, offering their views on NSC 5909, the new draft statement of U.S. policy toward South Asia. (Department of State, S/S-NSC Files: Lot 63 D 351, NSC 5909 Series) No copy of the original version of NSC 5909 has been found, since the original paper was destroyed after the amended paper, NSC 5909/1, was adopted on August 21. Accordingly, the original wording and "split paragraphs" in NSC 5909 that are referred to in this document and the following one cannot always be reconstructed with precision.

⁵ See footnote 9, Document 2.

⁶ Document 352.

⁷ Document 192.

⁸ Not printed.

⁹ Not printed. The minutes of all National Security Council meetings held during the Eisenhower administration are in the National Archives and Records Administration, RG 273, Records of the National Security Council, Official Meeting Minutes File.

¹⁰ Reference is to the projected net foreign aid requirements of India's third Five-Year Plan.

word “understood” should be substituted for the word “possible” in the footnote. Mr. Dulles said he concurred in Secretary Dillon’s remarks. The President asked when the third Five-Year Plan would start in India. Secretary Dillon said in the spring of 1961.

Mr. Gray then briefed the Council on the split in Paragraph 52, dealing with information and cultural and exchange of persons programs. Secretary Dillon said the Exchange of Persons Program was vital world-wide as well as in South Asia. This Program has achieved marked successes in return for small expenditures, especially in the orientation of leaders toward the Free World. He felt the Program, on a world-wide basis, should be increased, but it might well be that the provision in the majority version of paragraph 52 was a little too specific for an NSC paper. If it were clearly understood that the Budget proposal for Paragraph 52 would not preclude an increase in the Exchange of Persons Program, he would be willing to accept the Budget language. Mr. Stans said the Budget language was not intended to prevent an increase in the Exchange of Persons Program. It seemed to him that the majority language would require an increase in this Program in each of the countries of South Asia. He felt the program should be more selective, and was willing to accept the possibility of increasing the Program in some countries of the area.

Mr. Gray then briefed the Council on Paragraphs 55 and 57 dealing with communist aggression against, or attempt to seize control from within of a South Asia state other than Pakistan. He called on the Attorney General¹¹ with particular reference to the proviso at the end of each of these paragraphs reading “provided that the taking of any military action shall be subject to prior Congressional action.” The Attorney General said he saw no objection to the language of the provisos, which obviously could not change the constitutional power of the President, the exact nature of which had never been determined. This problem had been discussed fully by the Council in 1954 and the Secretary of State at that time had concluded that the question was an academic rather than a practical one. In practice the President would probably not take military action except in close cooperation with Congress since Congress controls the funds necessary for support of the military forces.

The President said adherence to the doctrine of close cooperation with Congress had been indicated by the adoption of the Middle East and Taiwan Strait Resolutions.¹² Under the Constitution the President

¹¹ William P. Rogers.

¹² The Middle East Resolution is a reference to the economic and military aid program requested in the President’s Special Message to Congress, January 5, 1957. Documentation is in *Foreign Relations, 1955–1957*, volume XII. The Taiwan Straits Resolution is a reference to the Joint Congressional Resolution of January 29, 1955. Documentation is *ibid.*, volume II.

is Commander-in-Chief of the armed forces, but as the Attorney General had pointed out, he must obtain funds from Congress for the support of those forces. Self-defense against an attack on U.S. forces was, of course, a different question from the one posed by these paragraphs.

The Attorney General said that at any time the President wishes to use the armed forces of the United States, he can do so. As Commander-in-Chief, the President can make use of U.S. armed forces even in the absence of a declaration of war. The President felt Paragraphs 55 and 57 of NSC 5909 were consistent with the Constitution.

Mr. Gray continued his briefing. When he reached the question of U.S. military assistance to Pakistan, Mr. Stans requested that he be allowed to speak at some length.

Mr. Stans felt that Paragraph 60 of NSC 5909 stated a key issue. The findings in NSC 5909 indicated that a reduction in Pakistan forces would contribute to easing tensions in South Asia and permit an expansion of economic development. In support of this point, Mr. Stans quoted from Paragraphs 10 and 15 of NSC 5909. He then pointed out that Pakistan had maintained forces in excess of MAP goals and that India was determined to maintain a three-to-one superiority in military forces over Pakistan. He felt it was desirable to do more than merely dissuade India and Pakistan from substantially increasing their forces; the reduction of Indian and Pakistan forces should be actively encouraged. In view of the Indian determination to maintain a fixed ratio of military strength vis-à-vis Pakistan, it was possible that reduction of Pakistan forces would prompt reductions by India. In a letter of April 13 to General Draper, the Joint Chiefs of Staff had indicated that ultimate reduction of Pakistan forces would be desirable.

In connection with Paragraph 38, Mr. Stans felt that the stabilization of Pakistan forces would have the collateral benefit of reducing an irritant in Pakistan-Afghan relations. Mr. Stans believed all members of the Council were seeking ways of reducing costs, and in addition Congress was forcing a reduction in the level of assistance from \$2.0 to \$1.4 billion. NSC 5909 made it clear that U.S. military and economic objectives in South Asia were often in conflict and that large military forces tended to weaken rather than strengthen the countries of the area. Moreover, Paragraph 76 tended to freeze MAP-supported forces in Pakistan at present levels, with the possibility that large additional expenditures would be required for modernization. The U.S. must reduce its overseas expenditures because of the balance of payments problem. Accordingly, we should encourage Pakistan to reduce its military forces.

Secretary Dillon said that last fall a re-evaluation of U.S. military assistance to Pakistan had been undertaken by the Departments of State and Defense, ICA and the Joint Chiefs of Staff. This re-evaluation, which had just been completed, indicated that under present circumstances it was unrealistic to expect that Pakistan forces could be immediately reduced or even limited. He believed the U.S. should press Pakistan and India to agree to limit their forces at existing levels during the Indian-Pakistan negotiations in London this fall on the Indus Waters. A successful Indus Waters negotiation might create a new climate permitting an agreement on limitation of forces. Secretary Dillon did not favor an extensive modernization of the Pakistan armed forces which would substantially increase the cost of such forces. There was often a misunderstanding of the fact that the Pakistan forces over and above the U.S. strategic force goals for Pakistan were arrived at on a political basis. U.S. force goals took into account Pakistan forces in West Pakistan but not those in East Pakistan. However, East Pakistan has more than half the country's population, so that forces are required in this area and along the Kashmir Cease-Fire Line. For the foreseeable future, the U.S. should not attempt to persuade Pakistan to reduce its forces, but should work toward a reduction of the tensions between Pakistan and India in the hope that an agreement between these two countries might lead to a reduction in MAP-supported forces in Pakistan. Secretary Dillon did not accept the argument that Indian armed forces were built up only because of U.S. military assistance to Pakistan. Indian military policy took account of the existence of Communist China and of aggressive moves made by that country in the direction of the Indian border. Secretary Dillon did not favor a reduction in Indian forces either, but favored a redeployment of these forces away from the Pakistan borders. The immediate goal of U.S. policy should be an agreement between India and Pakistan to freeze their forces at present levels. At a later date, when it became practicable, the U.S. might work toward a reduction of Pakistan forces. Any attempt to reduce the Pakistan forces at the present time might cause serious harm in U.S. -Pakistan relations. Secretary Dillon agreed that military expenditures compete with economic development expenditures, but this was true on a world-wide basis and not just in Pakistan.

Turning for a moment to Paragraph 76, Secretary Dillon suggested that the wording was too detailed for an NSC paper and proposed that, in order to allow flexibility in the future, the word "present" be deleted in the phrase "maintain Pakistan's present MAP-supported forces". In conclusion, Secretary Dillon said he was willing to do whatever was politically feasible to reduce Pakistan forces, but he believed that it was not feasible to bring pressure on Pakistan at the present time.

Secretary McElroy said that Secretary Dillon's views were in essence also the views of the Department of Defense. An eventual reduction of military forces would permit greater economic development in Pakistan. However, the prerequisite to such reduction was a determination by the Pakistan Government itself that it could reduce its forces without detriment to its security position. [2 lines of source text not declassified] He felt it was unrealistic to suggest a reduction of Pakistan forces at present, and believed our policy should be to maintain Pakistan forces at their present levels.

Secretary Anderson said the Council was discussing two of the poorest countries in the world. Even if we doubled our assistance to India and Pakistan, we would not succeed in raising their standards of living. There was greater tension between Pakistan and India than between any other two countries in the world, with the possible exception of Israel and the UAR. Increased military assistance might well lead to war between India and Pakistan. We could not reduce Pakistan forces and allow Indian forces to be built up. He suggested that the trend of our policy would have to be in the direction of reducing military forces in South Asia, since neither the U.S. nor the indigenous countries can afford present levels of forces. The Financial Appendix to NSC 5909 clearly indicated the large sums of money involved. The Export-Import Bank could probably not increase loans to India and it had not been lending money to Pakistan. The Development Loan Fund could not use a large proportion of its resources on these two countries alone. The balance of payments situation made it necessary for the U.S. to consider reducing its overseas expenditures. Secretary Anderson felt that it would be unwise to attempt a policy of supporting present levels of military forces in India or Pakistan for the foreseeable future. The U.S. should bring pressure for a reduction of forces even though our pressure might be gentle and subtle. We should emphasize to the countries concerned that they cannot afford large military forces.

Secretary Dillon thought that the U.S. should seek to reduce the animosity between India and Pakistan and might work toward an ultimate reduction of Pakistan, though not Indian, forces. The figures in the Financial Appendix were rough, and he did not attach too much importance to them. In fact, he thought that the problem would not be as great as the Financial Appendix would lead one to suppose. Since India and Pakistan had half the population of the underdeveloped countries, it was reasonable to assume that a large proportion of the DLF funds would be spent in those countries. He pointed out that Pakistan belonged to the Baghdad Pact, which is under the Soviet propaganda attack focused on Iran. If we give a negative answer to Iran's recent request for increased assistance and for a reorganization of the Baghdad Pact command structure, and in addition seek to re-

duce Pakistan forces, the repercussions would be serious both in Pakistan and in Iran. In fact, the latter country might try to make the best possible peace with the USSR, on the ground that we were not serious about helping countries on the Soviet periphery to resist aggression. The Department of State should have considerable discretion in timing on such a politically sensitive issue as urging the reduction of Pakistan armed forces. He was willing to work toward first a limitation, and then a reduction, of military forces in South Asia as soon as the situation was favorable, but he felt it was dangerous to proceed prematurely.

General Twining said that at the Baghdad Pact meetings, Pakistan had presented a good case, not only for its present armed forces, but for additional divisions. The Pakistanis were good professional soldiers. If we insisted on reducing Pakistan forces now, it would undoubtedly create an unfavorable reaction in Pakistan. He felt that the Pakistan forces were a great stabilizing influence in South Asia.

Secretary McElroy pointed out that all Pakistan soldiers were volunteers.

The President felt that, assuming there would be no increase in taxes in the U.S. , the discussion thus far had touched only the fringes of the fundamental problem. It was necessary to take a look at the situation all around the world. U.S. assistance programs had started in Europe with the Marshall Plan and as a result of the success of that Plan Europe is a region which no longer needs economic aid. He wondered why we should not look to Europe to help support forces in other parts of the world. He thought we may have been too easy on our European allies since the success of the Marshall Plan and, referring to U.K. force reductions and large U.S. expenditures on infrastructure, wondered why Europe was putting the whole burden of its defense on us. The U.S. might start to save dollars by getting U.S. military forces out of Europe. It might be that there was need for no more than one U.S. division in Europe. The economic recovery of the U.K., France, Germany, and Italy raised the question why these countries were not capable of keeping all necessary military forces in the field. The time had probably come to review military forces in Europe and attempt to reduce U.S. expenditures on such forces. Secretary McElroy said the balance of payments problem might force the withdrawal of U.S. troops from Europe.

The Vice President thought it might be difficult to reduce U.S. assistance programs in South Asia at a time when communist activities there are increasing. When Khrushchev speaks of peaceful competition between the Soviet Bloc and the Free World he is thinking of South Asia as much as any part of the world. Pakistan is the one solid pro-

U.S. country in the area. It would be unwise to consider reducing assistance to Pakistan without remembering what the Soviets are doing.

Mr. Stans felt that the views thus far expressed were not very far apart. Both Secretary Dillon and Secretary McElroy had expressed opinions in favor of the ultimate reduction of the Pakistan military forces. Mr. Stans therefore suggested that NSC 5909 be remanded to the Planning Board with instructions (1) to delete the language in the paper favoring an increase in the Pakistan armed forces and (2) to indicate in Paragraph 77 the objective of reducing Pakistan forces in language similar to that used by the Joint Chiefs of Staff in their April 13 letter to General Draper.

The President believed that attention should be directed toward trying to reduce the existing tensions between India and Pakistan. In addition, on a world-wide basis, we should seek to find places where we are "in a rut" in our spending. He had been told that the morale of Western Europe would be ruined if U.S. forces in Europe were reduced by as much as a single division. He felt that perhaps we were subject to a certain amount of blackmail by Western Europe. The U.S. must begin to make NATO understand the facts of the situation. The President wondered why West Germany was building up its forces so slowly. If we refrained from providing nuclear weapons to West Germany, we might even be able to conclude a good treaty with the Soviets. Turning to South Asia again, the President said that the U.S. would have to work more effectively to get India and Pakistan to face their true enemies, the Soviet Union and Communist China, rather than quarreling with each other. He thought the U.S. should tell Western Europe that it must carry part of the load of supporting forces in India and Pakistan.

Secretary Dillon agreed that the balance of payments problem indicated that Europe, where we are spending \$2.5 billion yearly, was the principal place where we could make savings on military forces without the sacrifice of security.

Secretary McElroy agreed that U.S. forces in Europe could be reduced and added that placing Army divisions in a central pool in the U.S. would result in making more effective use of them.

Mr. Gray asked whether the President wished the Planning Board to do some work on a NATO paper. The President said Planning Board work on this subject perhaps was not necessary, but that Secretary Herter should be consulted immediately about the problem of U.S. forces in Europe.

Secretary Dillon said the timing of any steps to reduce U.S. forces in Europe would be very important. The President agreed that we should probably not take any such steps until his exchange of visits

with Premier Khrushchev had been concluded. Secretary McElroy said that consideration should be given to reducing U.S. forces in Europe immediately after the exchange of visits.

The President said he did not mind taking another look at the South Asia paper, but he did not believe that substantial savings in U.S. expenditures could be made in this area. He added that the balance of payments problem was a very troublesome one. Other countries experiencing balance of payments difficulties usually took steps, such as banning certain imports, which the U.S. was unwilling to take. In looking at the balance of payments problem in the past, there had been a tendency to consider only the assistance which the U.S. is extending, and to forget the effect on the balance of payments of our expenditure abroad on our own forces.

Mr. Gray said he would take the South Asia paper back to the Planning Board and ask it to revise the Military Assistance section to reflect the Council discussion. However, he hoped the Council would this morning provide some guidance on certain other issues in the paper.

Mr. Gray then briefed the Council on Paragraph 75. Secretary McElroy felt that the language in the existing policy might be used in Paragraph 75; that is, that Pakistan should provide *token* forces for collective military operations outside Pakistan. Secretary Dillon and the President agreed.

Mr. Gray read Paragraph 68 and said that although this was an agreed paragraph, he believed the Acting Secretary of Commerce had some observations to make. Secretary Mueller said he was concerned because projects in the uncommitted countries were undertaken almost exclusively on a government-to-government basis, a basis which had the effect of putting the recipient government into business. This amounted to socialism. The U.S. was using money collected by taxes on the free enterprise system to help develop socialism in countries receiving assistance.

The President said it would be difficult for the U.S. in the subcontinent of India to let economic development await the appearance of the private risk-taker. In an area such as South Asia, we must accept a mixture of socialism and free enterprise. As a matter of fact, added the President, we have a certain amount of socialistic activity mixed into American free enterprise; for example, the post office and harbor improvement, both of which had preceded the New Deal. In South Asia we must be satisfied with the spirit and the needs of nations and must not insist too much on free enterprise. We must accept some degree of socialism, although normally the government should not get into production.

Secretary Mueller said he agreed with the President's remarks but felt that we should get our own free enterprise industry interested in investing in South Asia. The President said that experience with U.S. private enterprise investing in underdeveloped countries had not been too happy. After a while, the U.S. investors say their capital is about to be expropriated and the underdeveloped country says it is being exploited. Soon private investment becomes a political issue. He would agree in principle that all nations able to do so should have the kind of economy the U.S. has, but in many places, we must be satisfied with a diluted free enterprise system.

Secretary Anderson said U.S. policy should express a philosophy which recognizes the necessity of government-to-government assistance, but which makes us "do it the hard way". U.S. policy should say: "To the fullest extent practicable utilize U.S. economic aid so as to supplement rather than compete with private capital, and to foster the growth of private industry. Continue to limit aid to industrial enterprises which are governmentally owned or operated to exceptional cases where important precedents would not be established thereby, and where such aid would clearly be in the overall national interest of the U.S. "

The President said it was necessary to examine a country's reputation for honesty in government. Care should be exercised to make sure that loans which we extend to other governments are not used in the support of political lame ducks and for graft. He felt the less developed countries must develop themselves or there would be a great cataclysm, with the great powers, the U.S. and the USSR, trying to keep the peace.

Secretary Dillon said there seemed to be no real difference of philosophy on this question. In the operations of the Development Loan Fund emphasis had been placed on the desirability of not competing with private industry. The DLF makes no loan until it is sure private investors are not interested. However, economic development in South Asia followed a pattern different from that in some parts of the world. We would be wrong in denying ourselves access to large sectors of the Indian economy merely because these sectors are being developed by the government. He then suggested that Ambassador Bunker might wish to say a few words.

Ambassador Bunker felt the best approach to the problem would be a case-by-case examination of specific projects. The U.S. was facing a massive increase in Soviet assistance to India. U.S. assistance should be identifiable and should have an impact, but much U.S. assistance would have to be in the public sector of the economy. Conditions in South Asia were quite different from those in the U.S. The low rate of capital formation in South Asia meant that greater government participation in economic development was inevitable.

If the U.S. stayed out of the public sector of the Indian economy, this sector would be left to the USSR to exploit, and the Indians would believe that we were trying to impose our system of free enterprise on India. Ambassador Bunker believed that India would ultimately have an economic system which contained a mixture of socialism and free enterprise; moreover, he felt that the establishment of such a mixed system under a democratic government would be a great victory for the West. He also noted that private entrepreneurs in India did not have the high ethical standards of American businessmen. He repeated that we should consider specific projects in the public sector of the Indian economy on a case-by-case basis and should not let key projects go by default. We should of course stimulate private investment in India wherever possible, but private capital could not in many cases be mobilized in sufficient amounts. For example, insufficient private capital was available for building the three steel plants which were now being built in India.

The President suggested that the U.K., France, and Germany should be encouraged to provide a greater proportion of assistance to the public sector of South Asian economies. Because of their parliamentary forms of government, these countries do not face the problem of executive-legislative relations as it exists in the U.S. However, in any event, the U.S. should support a limited number of impact projects in South Asia.

Secretary Mueller referred to a recent cable on possible assistance to the Indian Government in developing its oil resources.¹³ He thought such resources might better be developed by U.S. oil companies. The President said that U.S. oil companies were in difficulties in many parts of the world. Secretary Dillon said the cable referred to by Secretary Mueller emphasized technical assistance and indicated that the first step would be consultation with U.S. oil companies.

Secretary McElroy believed that there was a clear need for a combination of public and private enterprise in the underdeveloped countries. He felt, however, that our diplomats abroad paid insufficient attention to encouraging the underdeveloped countries to develop a climate conducive to private investment. Secretary Dillon recalled that the State Department had requested \$5 million in appropriations for the purpose of developing a climate favorable to private investment in foreign countries, but that this request had been rejected by the House Appropriations Committee.

¹³ Extensive documentation on this subject is in Department of State, Central File 891.331.

Mr. Gray believed that NSC 5909 supported the views expressed by the President and took into account the remarks made by Ambassador Bunker. However, Mr. Gray was not sure that Secretary Mueller was entirely happy. Secretary McElroy remarked that no one was entirely happy.

The President said if the U.S. was to be prosperous, happy and peaceful, sacrifice, which is never popular except in the excitement of war, would be necessary. He was constantly told that taxes should be reduced, but an examination of the problems described this morning would lead to the conclusion that no tax reduction would be possible in the foreseeable future. We should state this estimate honestly to the American people and indicate that continued sacrifice might be necessary.

Mr. Gray noted that NSC 5909 contained a split paragraph on bases in Ceylon but suggested that the Planning Board, in the light of the JCS views, might attempt a revision of this paragraph. The President thought we should not take positions on bases which would enable the indigenous countries to blackmail us.¹⁴

The Vice President remarked that government-to-government assistance was the easy way of helping underdeveloped countries. Our representatives abroad were certainly not socialistic, but they did find it easier to extend assistance on a government-to-government basis. We must constantly keep in mind the principle that government-to-government assistance is a supplement to private investment.

Secretary Dillon reported that the Business Committee for International Understanding is now sending a number of businessmen who are about to go abroad to American University to study foreign policy and languages. Conversely, he thought it might be useful if we sent some of our Foreign Service officers to visit business organizations and learn more about business.

*The National Security Council:*¹⁵

a. discussed the draft statement of policy on the subject contained in NSC 5909; in the light of the views of the Joint Chiefs of Staff thereon, transmitted by the reference memorandum of August 5, 1959.

b. Tentatively adopted the following amendments in NSC 5909:

(1) *Page 5, footnote to paragraph 7:* In the first line, substitute the word "understood" for the word "possible", and substitute the word "does" for "may".

(2) *Page 24, paragraph 52:* Include the Budget version and delete the Majority version.

¹⁴ Footnote [10 lines of text] not declassified.

¹⁵ Paragraphs a-c that follow constitute NSC Action No. 2117. (Department of State, S/S-NSC (Miscellaneous) Files: Lot 66 D 95)

(3) *Page 31, paragraph 75*: Include the word “token” rather than “limited”, and delete the footnotes thereto.

c. Referred the remaining unresolved paragraphs to the NSC Planning Board for review and revision in the light of the discussion at the meeting.

Marion W. Boggs

5. Memorandum of Discussion at the 417th Meeting of the National Security Council, Washington, August 18, 1959¹

[Here follow a paragraph listing the participants at the meeting and agenda items 1–5.]

6. *U.S. Policy Toward South Asia* (NSC 5701; OCB Report on NSC 5701, dated March 18, 1959; Memos for NSC from Executive Secretary, same subject, dated May 22 and August 5, 1959; NSC Actions No. 2094; NIE 52–59; SNIE 54–59; NSC 5909; NSC Action No. 2117;² Memo for NSC from Acting Executive Secretary, same subject, dated August 14, 1959³)

Mr. Gray briefed the Council on the proposed South Asian policy (NSC 5909), particularly as to the changes that had been made by the Planning Board since the previous Council discussion of the paper. When he got to paragraph 51, the President inquired whether the second sentence of the paragraph, dealing with an Indus Waters settlement, hadn't been overtaken by events. Secretary Dillon said that the agreement had not yet been signed and sealed, and that therefore the sentence was appropriate.

Mr. Gray then called the Council's attention to the split in paragraph 60, over the modernization of Pakistani and Indian forces and the related split with respect to Pakistani forces in paragraph 76.

Secretary Dillon pointed out that if you intended to maintain Pakistani forces, you had, to some extent, to modernize them because you had to replace worn-out equipment with the available more modern equipment.

¹ Source: Eisenhower Library, Whitman File, NSC Records. Top Secret. Drafted by Robert H. Johnson, Director of the Planning Board Secretariat of the NSC, on August 26.

² See footnote 15, *supra*.

³ This memorandum transmitted a memorandum from the Joint Chiefs of Staff, also dated August 14, offering their views on the revised pages to NSC 5909. (Department of State, S/S–NSC Files: Lot 63 D 351, NSC 5909)

Mr. Stans said that if the Majority proposal referred simply to such normal replacement it was all right; but if it implied a broader-gauged effort it was not satisfactory. The President said that if the modernization was clearly limited, the language was all right.

Mr. Gray then turned to the split in paragraph 77, dealing with reduction of Pakistan's non-MAP-supported forces.

The President raised the question, with respect to the Treasury-Budget language, of whether efforts to get Pakistan to reduce its non-MAP-supported forces were "politically feasible". Secretary Dillon said that they were not, and would not be in the foreseeable future. These forces were needed in East Pakistan.

Mr. Stans felt that we ought nonetheless in the long run [to] seek to reduce Pakistan's armaments. The President pointed out that the paper was reviewed every year, and that, if anything came up, the question could be re-examined. He assumed that MAP-supported forces were not available for use in East Pakistan because they were tied in the forces of Iran and Turkey.

Mr. Stans argued, however, that the objective should be a reduction—that the Majority language should be revised to incorporate such reduction as a long-range objective. The President wondered whether this wasn't a general proviso that would be appropriate to every paper.

Secretary Dillon suggested that it might be easier to get Pakistan to reduce its MAP-supported forces than to reduce its non-MAP-supported forces. The President said he didn't object to a statement of pious hope—to a long-run objective to reduce all forces.

Turning to paragraph 86, Mr. Gray read the Majority version and the new JCS version contained in their written views. He explained the difference in the two positions, and made some suggestions with respect to the language (see his briefing note attached to this memorandum).³

Secretary Dillon suggested that if the words "initiate negotiations" were eliminated from the third line of the JCS proposal and the words "take all feasible steps" were substituted, State could go along with the new JCS proposal. This approach was accepted by the Council.

Mr. Gray concluded by pointing out that the Planning Board had considered, following the last Council discussion, whether to add something to paragraph 61 to cover encouragement of private enterprise. The Planning Board had concluded that the paragraph should not be changed, on the grounds that paragraph 43-1 of the Basic

³ Not printed.

National Security Policy (NSC 5906/1)⁴ adequately covered this subject.

Secretary Mueller said that Commerce didn't think that it would have been redundant to include the language of paragraph 43–1 in the policy paper on South Asia as well; but he bowed to Mr. Gray's suggestion since the provision was contained in Basic Policy. He was still going to emphasize this point at every opportunity, however. It was his feeling that we should try to show that the free enterprise way is the way that these countries could get greatest economic development.

The President concluded the discussion by stating that we should be intelligent in this matter. We shouldn't tell people in other countries that they are going to starve if they don't do it our way.

The National Security Council:

a. Discussed further the draft statement of policy on the subject contained in NSC 5909; in the light of the further views of the Joint Chiefs of Staff thereon, transmitted by the reference memorandum of August 14, 1959.

b. Adopted NSC 5909, as revised by the NSC Planning Board pursuant to NSC Action No. 2117–c, subject to the amendments in NSC Action No. 2117–b and to the following amendments:

(1) *Page 26, paragraph 60:* Include the bracketed language, delete the footnote thereto, and substitute the following footnote:

“*As used in this paragraph, the term ‘limited modernization’ refers to normal replacement of obsolete or worn-out equipment.”

(2) *Page 31, paragraph 76:* Include the bracketed language, delete the footnote thereto, and substitute the following footnote:

“*As used in this paragraph, the term ‘limited modernization’ refers to normal replacement of obsolete or worn-out equipment.”

(3) *Page 32, paragraph 77:* Delete both versions of the paragraph and substitute therefor the following:

“77. In recognition of Pakistan's present need for security and defense forces in East Pakistan and the tribal areas of West Pakistan, the United States should not now press for the reduction of Pakistan's non-MAF-supported armed forces. However, efforts should be continued at the national level to encourage Pakistan, whenever politically feasible, to concentrate available resources on the support of forces indicated in the strategic force objectives and to eliminate those forces which are in excess of U.S. strategic force goals.”

⁴ The text of NSC 5906/1, approved by the President on August 5, 1959, is scheduled for publication in volume iii.

(4) *Page 33, paragraph 86*: Delete both versions and substitute therefor the following:

“86. At such time as it is determined that the United States has a vital interest in acquiring the right to utilize naval, air, and communication facilities in Ceylon, take all feasible steps to obtain this right. In the interim, continue to exert, to the extent practicable, U.S. influence to assure the availability of these facilities to the United States, the United Kingdom and other Free World countries when required, and employ all appropriate means to deny the availability of these facilities to unfriendly foreign powers.”

Note: NSC 5909, as amended by NSC Action No. 2117-b and the action in b above, subsequently approved by the President; circulated as NSC 5909/1 for implementation by all appropriate Executive departments and agencies of the U.S. Government; and referred to the Operations Coordinating Board as the coordinating agency designated by the President.

Robert H. Johnson

6. National Security Council Report¹

NSC 5909/1

Washington, August 21, 1959.

STATEMENT OF U.S. POLICY TOWARD SOUTH ASIA

(India, Pakistan, Afghanistan, Ceylon and Nepal)

General Considerations

1. The rapid growth in Chinese Communist power and the intensification of the Soviet economic offensive in South Asia, which seem likely to intensify the threat posed to Free World interests in Asia over the next decade, underline the importance of developing in South

¹ Source: Department of State, S/S-NSC Files: Lot 63 D 351, NSC 5909 Series. Secret. Transmitted to the National Security Council on August 21, under cover of a brief note by Marion W. Boggs, Acting Executive Secretary of the NSC. Boggs' note reads in part as follows: "The President has this date approved the statement of policy in NSC 5909, as amended and adopted by the Council and enclosed herewith as NSC 5909/1; directs its implementation by all appropriate Executive departments and agencies of the U.S. Government; and designated the Operations Coordinating Board as the coordinating agency." A 20-page Financial Annex is not printed.

Asia, particularly in India, a successful alternative to Communism in an Asian context. In the nations of India, Pakistan, and Ceylon, there is considerable potential for achieving this goal.

2. The South Asian nations have a population equal to about one quarter of the Free World total. Strategically located athwart the land and sea lanes of communication between the Middle and Far East, South Asia has valuable natural resources, including India's rich iron and coal deposits. India and Pakistan inherited from the British a tradition of sound administration and a good civil service, and a common language, English, which make possible communication among the various cultural groups inhabiting the sub-continent. India also inherited an extensive rail network.

3. However, critical internal problems and strife among the area nations pose serious obstacles to the emergence of a strong and stable South Asia. Despite an impressive volume of external assistance (roughly \$4.5 billion provided or pledged from Jan. 1, 1955 through June 30, 1959)² the area continues beset by a multitude of political, social and economic problems. Living standards are extremely low and efforts to improve them are seriously impeded by continued rapid population growth, low productivity, inadequate financial resources, shortages in trained personnel, and inflation.

4. It is now evident that the Soviets have designated India as a primary target in Asia. While the ultimate goal of Soviet policy in India remains the accession to power of a government strongly influenced or controlled by the USSR, the Soviet stepped-up economic offensive is aimed at gaining maximum influence over the development of India's economy and the direction of its policies. The Soviet offensive takes three main lines, all of which capitalize on some of India's most pressing needs. These lines are: (a) project aid programs of large magnitude to influence and impress the Indian peoples and Government; (b) trade programs which will be significant economically as well as psychologically, and which will wherever possible create situations of Indian dependence upon the Soviet Union; (c) technical assistance programs calculated to win the sympathies of a maximum number of Indian officials, scientists, engineers and students and the Indian intelligentsia in general. New Delhi announced on July 29, 1959, that it has

² Includes: since 1955 approximately \$2.1 billion in economic aid (including about \$1 billion under PL 480) and \$500 million in military aid from the United States, \$700 million from other Free World Nations and \$700 million from international institutions; since 1955 \$520 million from the Bloc, all for economic projects, except for \$32 million to Afghanistan for military purchases. It appears that something over \$1 billion of this aid had not been disbursed as of June 30, 1959, although the bulk of this is either already committed or is expected to be committed in the not too distant future to specific development projects. [Footnote in the source text.]

accepted an additional Soviet offer of \$378 million in aid which would be for India's Third Five-Year Plan (1961-66). This credit brings total Soviet Bloc aid to India to \$702 million.

5. Except for Pakistan, which is a member of SEATO and the Baghdad Pact, the nations of the area have adopted a policy of neutralism. In India and Ceylon, the problem of Communist strength is a serious one; however, these governments and the major political parties appear to be becoming increasingly aware of their own self-interest in blocking Communist subversion and maintaining anti-Communist policies domestically. The Communist Chinese brutal repression of the Tibetan revolt has contributed to a greater awareness of the threat from Communist China. The difficulties arising out of the Communist control of the government of the Indian state of Kerala have highlighted the Communist problem in India.

India

6. A solid basis was laid for the Indian national state by a series of domestic political successes: in dealing with the princely states, in conducting national elections, and in laying down a national constitution. But divisive regional, linguistic, caste and religious differences still exist, despite Nehru's partly successful efforts to eradicate them. The cohesion and popular appeal of the Congress Party is gradually deteriorating with the Communist party being the next strongest party presently in sight.

7. Moreover, India is confronted with a major problem of economic development. Despite the substantial progress made to date under the First Five-Year Plan (1951-1955) and part of the Second Five-Year Plan (1956-1961), the continuing problems of unemployment and underemployment, unabated growth of population, recurrent food shortages, and the increasing public demand for economic improvement provide potential tinder for political extremism and are apparently leading to higher targets for the third plan (1961-1966). Unemployment is increasing in urban areas. As originally formulated, the current Second Five-Year Plan overemphasized industrialization at the expense of the agricultural sector. Preliminary planning indicates that the Third Plan will devote considerably more attention to agriculture though it will continue the general emphasis on industrialization. Continued deficit financing and heavy pressure on Indian foreign exchange holdings are expected. Early informal proposals by Indian Planning Commission officials have projected net foreign aid requirements for the period of the Third Five-Year Plan at \$2.1 billion which is the level originally projected in the Second Five-Year Plan. (Actually \$2.3 billion of external assistance has, to date, been pledged in support of the Second Five-Year Plan.) However, there have also been estimates by Indian Ministry of Finance officials as to the external assist-

ance requirements for the Third Five-Year Plan which range as high as \$5.0 billion.³ Formulation of the plan is still in the preliminary stages and a final decision by the Indian Government as to its objectives and probable financing requirements is not expected for many months.

8. Should India fail to achieve a substantial economic expansion during the crucial next five years and lose the momentum it has gained under Nehru's leadership, it is unlikely to regain this momentum during the foreseeable future. A period of economic and political decline would almost certainly set in, popular support for the Congress Party would further diminish, dissension would grow both inside and outside the Congress Party, and serious unrest might ensue.

9. The extent of India's economic development will have international political ramifications as well. Asia and Africa will be watching and comparing what the Indian and the Chinese Communist regimes are achieving for their peoples, in terms of rapid industrialization, as well as in terms of the impact on human freedoms and living standards. A strong India would be a successful example of an alternative to Communism in an Asian context and would permit the gradual development of the means to enforce its external security interests against Communist Chinese expansion into South and Southeast Asia. A weak India, on the other hand, would be less able to exert effective influence to counter that of Communist China in South and Southeast Asia.

10. In relation to its size and population, India maintains a relatively modest though by no means negligible military establishment. India's abiding concern is to maintain a substantial margin of superiority over Pakistan. Pakistan's military strength has been of concern to India because of fear of armed conflict with Pakistan arising from differences over Kashmir and the waters of the Indus River. Pakistan's membership in Western collective security organizations is also a matter of concern to India because of the possibility that the subcontinent will thereby become involved in cold war issues. U.S. military support to Pakistan has been interpreted to India as contributing substantially to the threat of Pakistani aggression. It can be expected, therefore, that India will continue to purchase military equipment from abroad to the extent necessary to maintain its margin of superiority over Pakistan. In addition, India has recently shown increasing concern over the security of its northern borders and the Communist Chinese threat.

³ It is understood that the \$2.1 billion projection does not take account of scheduled repayments on existing external debt which amount to approximately \$950 million over the five-year period. These repayments are known to be included in the \$5 billion estimate. [Footnote in the source text.]

Pakistan

11. Despite some success in meeting the profound problems which confronted it at the outset, Pakistan after twelve years of independent existence still lacks many of the basic elements of national integrity and lasting political stability. The eastern and western wings of the country, separated by a thousand miles of Indian territory, represent two widely disparate cultures, differing in ethnic structure, language, social and economic patterns, and outlook. Chronic political instability coupled with persistent economic distress and rampant corruption led to the establishment of an authoritarian regime under army control in October 1958. This development, which many considered inevitable, was widely accepted, even welcomed, by most of the Pakistani population. The advent of martial law and abolition of the existing political system brought a temporary halt to the uncertain evolution of democratic processes in Pakistan under the parliamentary system. In its place the new regime has introduced a deliberate program of "national reconstruction" in the political field designed to promote an orderly evolution toward democracy through election of local councils, though not, for the present, democratic government at higher levels.

12. Although its political institutions to date have failed to attain viability, Pakistan has nevertheless maintained its national unity, and has made progress toward the resolution of basic economic problems. Pakistan has achieved significant gains in industrial development, and will shortly undertake a new five-year development plan expected to place heavy emphasis on improving the agricultural, power and transportation bases of the economy. The plan's goals are directed to a major extent to remedying the recurrent food crises in both East and West Pakistan where poor marketing and storage facilities and inept administration have aggravated the problems arising from chronic low productivity. In fulfilling the plan, the immediate bottlenecks seem likely to be an unfavorable balance of payments and a shortage of technical and administrative skills. By its vigorous actions in the economic and financial spheres, the new regime in Pakistan has demonstrated a genuine determination to overcome the basic ills of the economy, and offers a better hope than its predecessors of raising general living standards in the country.

13. Over the longer term, however, there are a number of factors which may frustrate achievement of the regime's efforts to develop the political and economic foundations for enduring stability. There are possibilities for rivalries and dissension within the military. Pressures are likely to build up among civilians, who will want more participation in running the country's affairs than Ayub is likely to give. These pressures are likely to be stronger in East Pakistan, which is the main

center of Communist activity and where the people resent West Pakistan's domination of the government. Should the regime's firm grip on the country be loosened, Communist influence in East Pakistan would probably expand, and could result in a serious threat to the continued unity of Pakistan.

14. The present Pakistani regime is fundamentally anti-Communist and will probably continue to pursue a foreign policy which is essentially pro-West in outlook and pro-U.S. in implementation. Pakistan's role in various UN councils has been helpful to U.S. objectives. However, its adherence to the Baghdad Pact and SEATO is partly motivated by apprehension of India's preponderant military position. Pakistan is also concerned with its own differences with Afghanistan and with growing Communist influence in Afghanistan. Pakistan, as a major Muslim and Asian power, can and does exert a moderating influence on the extreme nationalism and anti-Western attitudes of some members of the Afro-Asian bloc, and it is in our interest to continue to encourage Pakistan to do so.

15. Since 1954 Pakistan, with U.S. assistance, has greatly increased the military capability of its armed forces which, however, are still one-third the size of those of its large neighbor, neutralist India. Many Pakistani leaders regard their military establishment, including the U.S. supported portion thereof, primarily as a means of defense against India. Nonetheless, Pakistan's forces have been a major factor in maintaining Pakistan's stability and thereby contributing to Free World strength in the area.

16. The U.S. program for making up deficiencies in the Pakistan armed forces in accordance with the provisions of the 1954 commitment is virtually completed, although deliveries will continue probably through 1960. However, until international tensions in the area are relaxed, Pakistan may be expected to continue to place great emphasis on its defense and to make substantial expenditures on its military establishment. U.S. policy approved in January 1957 provided for U.S. assistance in support of Pakistan forces capable of maintaining internal security, of offering limited resistance to external aggression, and of contributing to collective security by these means and by the provision of token forces for collective military operations outside Pakistan. Current U.S. strategic force goals established under this policy include 5½ army divisions. However, Pakistan maintains an additional 2½ divisions which it uses to maintain internal security and to deter external aggression in East Pakistan and for defense along the cease-fire line in Kashmir. The maintenance of the present MAP-supported forces at an effective level of performance would require continuing U.S. military assistance and defense-support.

17. Sufficient economic development to indicate continuing progress is believed to be a necessary ingredient in maintaining reasonable political stability in Pakistan. The lack of natural resources, the shortage of technical and administrative skills, the rate of increase in population, the dire shortage of domestic savings and the financial burden of maintaining the military establishment, make the achievement of economic development difficult. The development plan, which is being proposed from 1960 to 1965, will almost certainly require substantial external assistance. The need for resources for economic development will compete with the costs of maintaining the military establishment. This conflict in demand for Pakistan's limited resources, both domestic and foreign, could cause friction between the United States and Pakistan.

Afghanistan

18. The extensive Soviet Bloc penetration of Afghanistan is cause for serious concern and will be extremely difficult to reverse. Afghanistan has already developed so many close ties with the Communist Bloc as to threaten its future independence. The Bloc may be expected to continue its efforts to monopolize key economic sectors such as cement, coal, oil and hydroelectric power. Increasing numbers of Soviet Bloc economic and military technicians have enhanced the Communist potential for propaganda and subversive activities.

19. While traditional Afghan suspicions of the USSR almost surely persist and Afghan leaders reiterate their desire to balance relations with the Bloc with countervailing relations with the Free World, they seem in fact to be accepting increasingly closer relationship to the Bloc. Primarily because of Afghanistan's geographic position, the United States does not have the capability of preventing close Afghanistan ties with the Bloc. We retain some leverage, however, in large part through our aid program. Through our aid on the Afghan-Pakistan transit project, the Helmand River multi-purpose scheme, and the Afghan educational system, the United States is identified with undertakings of major significance for the economic and political future of Afghanistan.

20. An additional obstacle to a more pro-Western orientation on the part of Afghanistan is its dispute with Pakistan over the Pushtu or Pathan tribes living in the Northwest frontier area of Pakistan. This dispute has aggravated Afghanistan's sense of political and geographic isolation from the rest of the Free World. These factors, combined with the urge for rapid economic development and a belief that Pakistan poses a military threat, contributed to Afghan receptivity to Communist aid offers.

Ceylon

21. The outlook in Ceylon is for continued basic instability. An early change in government is likely, and the underlying trend toward polarization of the political scene to right and left will probably continue. Meanwhile political instability is impeding economic progress, badly needed because of an extremely high rate of population growth.

22. Ceylon has a potential strategic and political importance beyond its small size and population because of (a) its strategic location in the Indian Ocean; (b) its close association with, and active role in the Afro-Asian complex of nations; and (c) the potential availability, during periods of heightened East-West tension or hostilities, of the deteriorating but still useful former British naval installations on the island. Ceylon has achieved something of a balance in its diplomatic and economic relations with Communist and Western nations through the pursuit of a policy of non-alignment. Its relations with India are generally cordial although the presence in Ceylon of a large number of Tamils of Indian origin is the subject of a long-standing dispute which has heightened communal tensions on the island in recent years.

Nepal

23. The growing conflict of interest between Communist China and the USSR on the one hand, and India on the other, has increased the importance of Nepal. India views Nepal as a virtual protectorate and has resented interest in Nepal on the part of third powers. However, the Soviet Union and Communist China show increasing interest in Nepal, expressed in terms of economic aid and the desire to have closer diplomatic relations through the reciprocal establishment of resident embassies. In view of this increasing Communist interest in Nepal, and as a result of the establishment of complete Chinese Communist control over Tibet, India can be expected to redouble its efforts to maintain and strengthen its position as mentor and guardian of Nepal. The Nepalese, for their part, have been restive under past Indian attempts to monopolize Nepal's external political relations and to guide Nepalese domestic policy. The Nepalese, therefore, although distressed by the Chinese Communist subjugation of Tibet, may welcome increased contact with the Soviet Union, the Chinese Communists, and the United States as affording Nepal the opportunity to play off the Communist powers, the United States and India against one another in the hope of thus obtaining more economic aid from all while achieving a position of greater psychological independence of India. The establishment of Nepal's first popularly elected government and the opening of resident embassies in Katmandu by the Soviet

Union, the United States, and probably to be followed by the Chinese Communists, mark the beginning of a new era in the history and development of Nepal.

Policy Conclusions

24. The United States has a political stake in the independence and integrity, as well as the stability and peaceful progress of all of the countries of South Asia. In India and Pakistan, particularly, that stake is a very large one. If either of these countries come under Communist influence, world-wide repercussions would result. Seriously increased political instability in either or both of these large nations could significantly increase Communist influence in the area, or alternatively, might lead to hostilities in South Asia. Either turn of events could engage great power interests to the point of threatening world peace.

25. It is necessary, therefore, to employ the means at our disposal as effectively as possible in South Asia. This will require policies developed country by country, but it will also continue to involve us in intraregional issues and we shall probably find it increasingly desirable to apply our efforts and resources toward resolving or at least keeping under control the local controversies that bulk so importantly in the political life of the subcontinent.

26. Since Pakistan's differences with India and Afghanistan seriously complicate our relationships with South Asia, mutually acceptable resolution of the Kashmir dispute and other differences, particularly the Indus Waters question, must be an important aim of U.S. policy.

27. In many respects the capability of the United States directly to shape events in South Asia is limited. The United States cannot in the foreseeable future expect the four neutralist South Asian countries to align themselves with the United States on all East-West issues. While it cannot ensure that the economic progress which the South Asian nations desire can be achieved, nor even fully satisfy their desires for external economic assistance, progress can be made in increasing South Asian resistance to Communist ambitions and in fostering its recognition of its community of interest with the Free World.

28. Although from the point of view of hastening economic development some reduction in Pakistani and Indian military expenditures would be desirable, it does not appear to be possible at this time to obtain a reduction in the over-all military potential of the Indian subcontinent especially in view of recent evidence in Tibet and Afghanistan of increased Sino-Soviet pressures in the area.

India

29. It is in the U.S. national interest that the independence of India be strengthened and that a moderate, non-Communist government succeed in consolidating the allegiance of the Indian people. While India's policy of non-alignment will on occasion bring India into opposition to U.S. programs and activities, and a strong and increasingly successful India will add weight to this opposition, over the longer run, the risks to U.S. security from a weak and vulnerable India would be far greater than the risks of a strong, stable, even though neutral, India.

30. It is in the U.S. interest that India should continue to make an effective assault on its development problems. For this reason the United States should continue to follow carefully the formulation and implementation of Indian development plans and support the broad objectives of these plans so long as they appear to be the best vehicle for achieving U.S. objectives in India. Other Free World nations should be encouraged to give similar support.

31. In view of the deficiencies of the Second Five Year Plan, it would be desirable that the goals of future plans be realistic in terms of the resources expected to be available, that they provide for the most effective utilization of resources in support of balanced, high priority programs, and that they take into account any settlement of the Indus River dispute.

Pakistan

32. It is in the U.S. national interest that Pakistan remain an active ally of the United States, continue its economic progress, improve its internal stability and maintain its defensive capabilities.

33. Without substantial external assistance, Pakistan's limited resources are inadequate to sustain its present defense establishment and at the same time to support economic development at present levels. There is, in fact, little prospect that in the near future Pakistan could, unaided, support even one of these programs as presently planned.

34. The availability of additional Pakistani resources for economic development purposes would be in the U.S. interest, and some reduction in Pakistani over-all arms strength could provide resources for this purpose. However, until Pakistani relations with India and Afghanistan improve markedly and unless there is reduction of the Communist military threat to South Asia, it is unrealistic to expect Pakistan to agree to reduction in the capabilities of its armed forces. A tacit limitation by Pakistan on future arms expansion (as distinct from reduction) would be desirable as a first step, provided India could be persuaded to follow suit and provided the potential threat from a

Soviet-backed Afghanistan did not increase materially. The compelling economic needs of both India and Pakistan should enhance the acceptability to them of the idea of limiting arms expansion.

35. U.S. action to reduce military assistance to Pakistan, without Pakistan's agreement, below a level sufficient to maintain the present capabilities of MAP-supported units might lead Pakistan to retreat from its present anti-Communist pro-Western policy, jeopardize the U.S. political position in the area, weaken planned defenses designed to protect U.S. interests in the Middle East, or alienate the Pakistan military leaders who constitute the controlling element in Pakistan. It would, on the other hand, undoubtedly improve the U.S. position in India and Afghanistan. On balance, however, it would undoubtedly be undesirable at this time to consider terminating the U.S. military assistance program in Pakistan, even though the U.S. program for making up deficiencies in the Pakistan armed forces in accordance with the provisions of the 1954 commitment is virtually completed. Accordingly, it is in the national interest to continue to provide military aid to Pakistan. The Pakistanis have indicated an interest in force improvements which could result in substantial additional costs. Under present circumstances the United States should not accede to a Pakistani request for major force modernization or significantly increased manning levels for existing MAP-supported units.

36. In support of economic development in Pakistan we should be prepared to extend sound development loans consistent with relevant U.S. loan policy considerations and to continue our technical assistance programs. Our economic aid program should be aimed at improving the future economic capabilities of Pakistan to carry a larger share of its necessary expenditures, as well as increasing its political and administrative ability to make the most effective use of its military and economic resources.

Afghanistan

37. It is recognized that the USSR has certain advantages over the United States in its relations with Afghanistan, notably the geographical proximity of the USSR to Afghanistan. Nevertheless, it is possible for the United States, through its various programs in Afghanistan, to provide Afghanistan with some alternatives to complete dependence on the USSR.

38. Afghanistan-Pakistan relations are complicated by the Push-tunistan issue, which must be settled by the parties to the dispute themselves. However, the United States can, by promoting mutually beneficial regional economic development projects, bring about more amicable Afghanistan-Pakistan relations and give Afghanistan an alternative to its dependence on the USSR. As Pakistan's military build-

up is completed, stabilization and perhaps reduction of U.S. military aid to Pakistan may also reduce an irritant to Afghan relations with Pakistan and with the United States.

Ceylon

39. It is unlikely that Ceylon's generally popular neutralist foreign policy will undergo any major change during the next two or three years, except in the unlikely event of a Communist takeover. Nevertheless, Ceylon's need and desire for economic assistance provide the United States with a means of influencing Ceylon. U.S. aid and other programs in Ceylon should, therefore, be directed toward increasing Western influence and orientation to the extent feasible.

Nepal

40. The United States has an interest in preventing Nepal from falling under the influence of the Soviet Union or from being overrun or dominated by Communist China. These are possibilities of even more urgent concern to India, which regards Nepal as a virtual protectorate. In view of the vastly greater U.S. stake in India than in Nepal, U.S. interests would be served by a policy of close but informal consultation with India in regard to Free World economic and security interests in Nepal. U.S. interests will be served by encouraging India to take every feasible step to prevent Nepal from falling under Communist influence or control.

Objectives

41. The development in South Asia, particularly in India, of a successful alternative to Communism in an Asian context.

42. The continuance of non-Communist governments willing and able to resist Communist blandishments or pressures from within and without.

43. An increased association and identification of South Asian governments and peoples with the Free World community.

44. A lessening of the tensions among the South Asian states in order (a) to forestall a further competitive military build-up, (b) to augment their resistance to Communist tactics, and (c) to strengthen their bonds with each other and with the Free World.

45. Strong, stable, and, if possible, popularly-based government in all of the South Asian states.

46. Increasingly sound and developed economies in each of the South Asian states.

47. Military strength in the area that will contribute to area stability and, as appropriate, to the defense of the Free World.

Major Policy Guidance

General Political

48. Foster the continuance of non-Communist governments in South Asia and strengthen their hands against Communist efforts to dominate them.

49. Seek to develop an understanding among the countries of the region, particularly India and Pakistan, that the threat to their security lies not from other South Asian countries but rather in the increasing menace of Sino-Soviet power.

50. Encourage the governments and peoples of South Asia to expand and strengthen their ties with the Free World.

51. Increase consultation with the governments of South Asian countries, particularly India and Pakistan, and encourage them to consult more frankly with us.

52. Seek through all appropriate means to reduce tensions and animosities between India and Pakistan. Continue to impress upon India and Pakistan that the Indus Waters issue should be settled on the basis of a solution mutually acceptable to India and Pakistan. Study and seek to determine now what steps would be desirable to take to settle other Indo-Pakistan disputes (e.g., Kashmir, boundaries, refugee property settlement) and to maximize the benefits of any Indus Waters settlement.

53. Maintain information, cultural and exchange of persons programs adequate to support U.S. objectives in the area.

54. Seek through strengthened and improved training programs in the United States, host countries and third countries, to multiply indigenous capabilities for self-government and economic growth. Adapt these programs to the needs of individual countries and seek to assure indigenous support for them, particularly in regard to the utilization of participants subsequent to the completion of training programs. To the extent feasible encourage U.S. private organizations to assist in achieving the objectives of these programs.

55. In the event of overt Communist aggression against Pakistan, or imminent or actual Communist attempts to seize control from within, fulfill U.S. obligations under the Southeast Asia Treaty and under the bilateral agreement of March 5, 1959 developed in support of the Baghdad Pact.

56. Should overt Communist aggression occur against a South Asian state, other than Pakistan, and should such state resist the aggression and make a timely appeal to the UN for assistance, support UN action to counter the aggression, including the use of force if a vital U.S. interest is involved: Provided, that the taking of any military action shall be subject to prior Congressional action.

57. If the UN fails to act in the contingency envisaged in the preceding paragraph, and provided a vital U.S. interest is involved, consider unilateral action.

58. In case of an imminent or actual Communist attempt to seize control from within a South Asian country other than Pakistan, and assuming some manifest local desire for U.S. assistance, strengthen U.S. support of its non-Communist elements, encourage other Free World nations to lend such support, and take all feasible measures to thwart the Communist attempt: Provided, that the taking of any military action shall be subject to prior Congressional action.

General Military

59. When and where politically feasible, seek to obtain (a) the use of required military and strategic facilities in South Asia, including communications, transit and base rights, and (b) the right to operate forces in the area upon the threat of and during hostilities in which the United States is involved.

60. Promote a better understanding in the South Asian countries of the aims of SEATO and the Baghdad Pact and, when feasible, encourage a wider cooperation in these or other Free World defense arrangements.

61. Recognizing that the reduction of tensions and arms limitation are inter-related and inter-acting factors, seek to persuade India and Pakistan to accept a limitation of their military capabilities to present levels (except for limited modernization).⁴ Subsequently, as friendly relations between the two countries are developed, seek to persuade them to participate in joint planning for defense of the subcontinent and to reduce their military establishments where this can be done without sacrificing their ability to resist Communist aggression and maintain internal security. Seek to persuade the United Kingdom to cooperate with us in achieving these objectives.

Economic Development and Trade

62. To assist in the development of sound expanding economies in South Asia:

a. Encourage South Asian countries to make the maximum contribution to their own economic development, and to take measures which will attract maximum amounts of external private capital.

b. Be prepared to extend sound development loans consistent with relevant U.S. loan policy considerations and with U.S. foreign policy objectives, and to continue defense support and technical and special assistance programs. Be prepared to consider sound projects

⁴ As used in this paragraph, the term "limited modernization" refers to normal replacement of obsolete or worn-out equipment. [Footnote in the source text.]

which would make a significant contribution toward encouraging closer cooperation among the South Asian countries and between South Asia and the rest of the Free World.

c. Encourage other Free World countries to continue to provide development and technical assistance to South Asia.

d. Support loans to South Asia by international institutions when consistent with U.S. loan policies.

e. Encourage and be prepared to support with U.S. public capital, if appropriate, an acceptable settlement of the Indus Waters dispute.

f. Seek through diplomatic and other appropriate means to improve the climate for private investment and, where justified, encourage U.S. and other private investment in the area.

g. Stress the long-range benefits of multilateral trade as opposed to trade under bilateral and barter agreements.

h. Encourage South Asian states to expand their trade with each other and with other countries of the Free World.

i. Emphasize the importance of mutual benefits of existing trade relations between the United States and the South Asian states, and seek further to foster and promote such trade.

63. Render appropriate U.S. assistance to individual nations and to multi-nation associations for development of peaceful uses of atomic energy.

64. In providing technical and developmental assistance, do not give the impression that the United States will bid against or attempt to match in size and scope the credit and aid activities of the Communist bloc.

65. Alert South Asian nations to the probability that the Sino-Soviet bloc will attempt to utilize trade and assistance programs as a technique for political subversion, and discourage them from (a) accepting Sino-Soviet bloc aid in certain particularly sensitive fields of a kind or on terms which would be damaging to their security, and (b) engaging in trade with the Sino-Soviet bloc at levels sufficient to create undue economic dependence on the bloc or on terms or under conditions seriously prejudicial to U.S. interests.

66. Continue efforts to discourage and where possible prevent shipment of strategic materials to the Communist bloc.

67. When justified to alleviate acute food shortages or the effects of natural disasters, extend emergency aid to the South Asian countries as expeditiously as possible.

India (Courses of action supplemental to the general courses above.)

68. Support the continuation in power of elements which are non-Communist and basically oriented toward the Free World.

69. Be prepared, primarily through the extension of public loans, PL 480 arrangements and technical assistance, to make aid available in substantial amounts to assist India in its efforts to achieve economic development, including some projects which would be clearly identi-

able to the Indian people as tangible evidence of U.S. assistance. When the Indian Third Five-Year Plan is formulated, review the plan to see whether the United States should contribute to the achievement of the broad aims of the plan by being prepared to consider financing specific projects in the plan. Avoid, however, giving the impression that the United States is guaranteeing or underwriting the achievement of specific rates of economic growth or the fulfillment of over-all economic targets in India. Encourage U.S. private investment in India which will contribute to that country's economic development.

70. While respecting India's choice of an "independent" foreign policy, seek to prevent its policy from serving Communist ends and, when in the U.S. interest, make use of Indian mediation or moderating influence in international disputes.

71. As practicable, discreetly exploit differences between India and the Communist bloc, especially the growing distrust in India of the Chinese Communist regime.

72. Strengthen the orientation of India's armed forces toward the Free World and continue to facilitate India's procurement of its military equipment from the West.

73. Continue to reassure India that by providing military aid to Pakistan and by supporting its participation in SEATO and the Baghdad Pact, the United States is in no way unfriendly to India and is acting solely in the interests of Free World security against the Communist bloc.

74. Continue to reassure India that the United States is not taking sides on the merits of the Goa dispute and would favor any mutually acceptable settlement reached through peaceful means.

Pakistan (Courses of action supplemental to the general courses above.)

75. In conjunction with efforts to strengthen Pakistan's orientation toward the Free World and its support of collective security efforts, encourage the development of more representative government.

76. For the present continue to support, by providing U.S. military assistance, Pakistan forces capable of maintaining internal security, of offering limited resistance to external aggression, and of contributing to collective security by these means and by the provision of token forces for collective military operations outside Pakistan.

77. In view of the prospective fulfillment of the military aid program under the 1954 commitment, direct an increasing share of the over-all U.S. aid program to Pakistan along lines which would channel economic resources to developmental activities, provided that the military component of the program is at a level sufficient to maintain

Pakistan's MAP-supported forces and to permit limited modernization of these forces.⁵ In providing military aid to Pakistan:

a. Avoid becoming committed to assuming any fixed share of Pakistani military maintenance costs.

b. Attempt to reduce the support cost for the Pakistani military establishment by exerting its influence for a more efficient organization of Pakistani forces and improved logistics system and more austere standards of construction and support, to the end that necessary force goals can be met with a progressive declining reliance on U.S. aid.

c. Encourage improved relations among Pakistan and India and Afghanistan as a means of reducing demands for U.S. aid.

78. In recognition of Pakistan's present need for security and defense forces in East Pakistan and the tribal areas of West Pakistan, the United States should not now press for the reduction of Pakistan's non-MAP-supported armed forces. However, efforts should be continued at the national level to encourage Pakistan, whenever politically feasible, to concentrate available resources on the support of forces indicated in the strategic force objectives and to eliminate those forces which are in excess of U.S. strategic force goals.

79. Encourage Pakistan to continue and extend its moderating influence in the Middle East and the Muslim world.

80. Encourage Pakistan to follow policies toward Afghanistan which will promote Afghan ties with the Free World.

Afghanistan (Courses of action supplemental to the general courses above.)

81. Encourage the growth of closer economic and improved political relations between Afghanistan and Pakistan, thus creating conditions favorable to resolution of their differences and strengthening Afghanistan's links with the Free World while reducing its dependence upon the USSR.

82. Encourage the settlement of disputes between Afghanistan and Iran, and the development of closer Afghan ties with Iran, Turkey and other nearby nations friendly to the West.

83. In providing technical and developmental assistance, give particular emphasis to programs tending to reduce Afghan economic dependence on the USSR, and to projects which will provide immediately visible evidence of U.S. friendship for [and?] an interest in Afghanistan.

⁵ As used in this paragraph, the term "limited modernization" refers to normal replacement of obsolete or worn-out equipment. [Footnote in the source text.]

84. Encourage Afghanistan to minimize its reliance upon the Communist bloc for military training and equipment, and to look to the United States and other Free World sources, particularly Turkey, for military training and assistance.

Ceylon (Courses of action supplemental to the general courses above.)

85. Use all appropriate means to strengthen non-Communist political elements able to contribute to political stability in Ceylon.

86. Seek to prevent Ceylonese neutralism from serving Communist ends and encourage Ceylon to identify its national interests more closely with the Free World.

87. At such time as it is determined that the United States has a vital interest in acquiring the right to utilize naval, air, and communication facilities in Ceylon, take all feasible steps to obtain this right. In the interim, continue to exert, to the extent practicable, U.S. influence to assure the availability of these facilities to the United States, the United Kingdom and other Free World countries when required, and employ all appropriate means to deny the availability of these facilities to unfriendly foreign powers.

Nepal (Courses of action supplemental to the general courses above.)

88. Encourage the Government of Nepal to resist Soviet and Chinese Communist inducements and pressures, but guard against its tendency to involve the United States against these powers for its own interest except when such involvement would also be in the interest of the United States.

89. Consult India and, as may be politically desirable, cooperate with India in regard to Free World interests in Nepal, while continuing to respect Nepal's desire to be independent of India.

U.S. EFFORTS TO HELP PROMOTE PEACEFUL RELATIONS BETWEEN INDIA AND PAKISTAN: DEVELOPMENT AND PRESENTATION OF A "PACKAGE PLAN" FOR SETTling THE MAJOR DISPUTES BETWEEN THE TWO COUNTRIES; U.S. POLICY TOWARD THE KASHMIR DISPUTE AND SUPPORT FOR THE INDUS BASIN WATERS TREATY¹

7. Editorial Note

The dispute between India and Pakistan over the disposition of the State of Jammu and Kashmir (commonly called Kashmir) began almost immediately after the partition of the subcontinent in August 1947. India first brought the conflict before the United Nations Security Council in January 1948. Security Council resolutions of January 20, 1948 (U.N. doc. S/654), and January 5, 1949 (U.N. doc. S/726), subsequently established the U.N. Commission for India and Pakistan (UNCIP), of which the United States was a member. In an effort to resolve the Kashmir dispute, the UNCIP then passed resolutions on August 13, 1948 (U.N. doc. S/995), and again on January 5, 1949 (U.N. doc. S/1196), which were quickly adopted by the Council. The former resolution provided for a cease-fire, a truce agreement, and a free plebiscite, while the latter resolution set down the conditions and basic principles of the proposed plebiscite.

Subsequent attempts to implement these principles by the U.N. Representatives for India and Pakistan, first Sir Owen Dixon of Australia and then Frank P. Graham of the United States, met with little success. On December 3, 1957, the Security Council adopted a new resolution on Kashmir (U.N. doc. S/3922), which called on Graham to make any recommendations to India and Pakistan that he considered desirable for implementing the UNCIP resolutions of August 13, 1948, and January 5, 1949. Graham left the United States on January 9, 1958, on a factfinding mission, first to India and then to Pakistan, in order to fulfill the terms of the latest Security Council directive.

¹ Continued from *Foreign Relations, 1955-1957*, vol. VIII, pp. 55 ff. For related documentation, see the compilations on India and Pakistan in this volume.

8. **Memorandum on the Substance of Discussion at the Department of State–Joint Chiefs of Staff Meeting, Pentagon, Washington, January 10, 1958¹**

[Here follows a list of persons present.]

1. *India–Pakistan*

Mr. Meyer, at the request of Mr. Murphy, outlined in broad terms the Department's proposed plan for the reduction of tensions between India and Pakistan. The Department is contemplating a "basket solution" which would involve a number of elements, some of which contain military components.² Mr. Meyer pointed out that some elements of the solution would be more favorable to one nation, while other elements of the solution might be more favorable to the other: The Kashmir settlement might be somewhat in favor of the India position, while the problem of the disposal of the Indus waters might be somewhat more favorable to Pakistan. Broadly speaking, the military element of the plan involved the limitation of arms of both parties by mutual consent.

With regard to the problem of arms limitation, Mr. Meyer made the following points:

1. There is no intention to dismantle the Pakistan capabilities.
2. No intention to cut off U.S. military assistance to Pakistan.
3. General agreement between India and Pakistan would release for collective defense purposes those Pakistani forces pinned down on the Indian border. Both nations are currently spending too much money for armament. Basic agreement between them would release funds for economic development.

In response to a question from General Twining as to whether the proposal would maintain present Pakistan forces, Mr. Meyer replied that the U.S. would honor its present commitment to Pakistan for military assistance. General Lemnitzer pointed out that Pakistan is a key member of the Baghdad Pact and that he had the impression that the State Department approach does not afford adequate consideration of the Soviet military threat.

Mr. Murphy explained that basically the Department is seeking to create a better climate between India and Pakistan, to fortify their economies, and to relieve apprehensions in Pakistan regarding India.

¹ Source: Department of State, State–JCS Meetings: Lot 61 D 417. Top Secret.

² Reference is to a proposed "package" program for easing tensions between India and Pakistan. On November 30, 1957, Assistant Secretary Rountree forwarded a memorandum to Secretary of State Dulles outlining the proposed package program; in Dulles' absence, Acting Secretary of State Herter approved the memorandum on December 16. A telegraphic summary of the package program is printed in *Foreign Relations, 1955–1957*, vol. VIII, p. 144.

Mr. Meyer reiterated that no reduction in fixed U.S. commitments to Pakistan is contemplated or any diminution of the present military establishment. He suggested, however, that if agreement could be reached, it might be possible for both India and Pakistan to reduce their military establishments. This point evoked comment from General Lemnitzer and Admiral Burke, who emphasized that they would not wish any reduction of Pakistan forces as the result of pressure from the U.S. Mr. Meyer stated that we would not force Pakistan to reduce its forces against its will, but that the Department hoped to work by and through India and Pakistan to achieve this reduction. Mr. Murphy emphasized that no pressure would be exerted. In response to Mr. Murphy, General Lemnitzer replied that in light of the current threat against the Baghdad Pact nations he considered the present level of Pakistan forces essential.

Mr. Meyer explained that we wished to avoid any further expansion of arms strength, but we hoped to negotiate a military balance which would prevent an arms race. Mr. Murphy emphasized that the Department is searching for ways and means to bring about a general agreement between India and Pakistan, including a solution to the Kashmir problem. He said that the Department also would hope to have India and Pakistan establish arms programs with which they can live within the framework of the economic capabilities of their countries.

General Twining expressed the opinion that anything voluntarily agreed to by the respective parties would be satisfactory, but warned that the U.S. should not undertake to guarantee their borders against aggression.

[Here follows discussion of matters unrelated to India and Pakistan.]

9. Letter From the Assistant Secretary of Defense for International Security Affairs (Sprague) to the Assistant Secretary of State for Near Eastern, South Asian, and African Affairs (Rountree)¹

Washington, January 17, 1958.

DEAR MR. ROUNTREE: I have read with very keen interest the study on relations between Pakistan and India which you recently for-

¹ Source: Department of State, Central Files, 690D.91/1-1758. Secret.

warded to me.² I found it a well-conceived paper, and the proposals for the exercise of U.S. initiative in bringing about a lessening of tensions between the two countries very thought provoking. In view of the military implications of the study, the Joint Chiefs of Staff were asked to review the proposals outlined in the study. Their views and conclusions, which are concurred in, are forwarded for your consideration.³

The Department of Defense naturally would welcome any reduction in the tensions existing between India and Pakistan and appreciates the degree to which our national interests would be served should a significant improvement in their relations be achieved. It is feared, however, that the arms limitation portion of the proposal, resting as it does upon the questionable military assessment in paragraph 8(b), would find no acceptability, despite any reassurances the U.S. might advance. It can be generally accepted that any limitation (and implied reduction) of the military capabilities of India and Pakistan, either individually or jointly, would expose them to an increased Soviet threat.

The solidarity of western regional defense organizations is now being severely tested by recent Soviet technological advances and politico-economic offers of assistance. In the case of the Baghdad Pact, the Joint Chiefs of Staff feel that early accomplishment by the member nations of agreed force objectives is the best means of insuring the effectiveness of that organization as a bar to Soviet expansion in the Middle East and South Asia. Except for Turkey, Pakistan provides the greatest source of trained and potential manpower among the Baghdad Pact countries in the Middle East. Pakistan, of course, is also a member of SEATO. In light of strong and positive U.S. support of both alliances, any proposal on our part which might militarily weaken Pakistan would appear most inconsistent and would raise serious doubts among our allies as to our national sincerity and integrity. Furthermore, since the force objectives for Pakistan are based primarily on the defense of the Baghdad Pact area, any reduction in Pakistani forces would have immediate and detrimental consequences, both military and political.

The Baghdad Pact concept for the defense of this area against the Soviet threat is generally the same as the United States concept. The U.S. defense objective in Pakistan is the creation of a military capability in-being necessary for an appropriate contribution to the Baghdad

² On December 23, Rountree forwarded to Sprague a copy of NEA's memorandum regarding a possible package solution of Indian-Pakistani tensions. (*Ibid.*, 690D.91/12-2057)

³ The Joint Chiefs of Staff forwarded their views, which are summarized in this letter, in a memorandum of January 8 to Secretary of Defense McElroy. (Washington National Records Center, JCS Records, CCS 092 India (7-16-57))

Pact as well as for the maintenance of internal security and limited resistance to external aggression. The existing problem between India and Pakistan was not a factor in the determination of this defense objective. The stationing of certain Pakistani ground forces near the Kashmir border, while reflecting to some extent Pakistan concern for the current Kashmir situation, does not seriously affect Pakistan's capability to carry out its Baghdad Pact commitments.

[1 paragraph (9 lines of source text) not declassified]

In view of these considerations the Department of Defense concludes that:

Present Pakistani military forces and programmed aid are essential to maintain what is considered minimum U.S. defense objectives in this area in view of the Sino-Soviet threat.

U.S. sponsorship and support of the Baghdad Pact and SEATO dictate that we encourage member nations to contribute their fair share of the forces needed for collective security.

Current or planned Pakistani forces in themselves should not pose a serious military threat to India's national security.

The United States should not assume additional military commitments by assuring India and Pakistan against armed attack.

In closing I want to emphasize again the desire that we share with the Department of State that some practicable means be found to bring about a healthier relationship between India and Pakistan.

It is my considered belief that the Defense position stated above does not preclude the United States taking the initiative to obtain an improvement in such relationship by concentrating on the non-military issues. This belief is based on the firm conviction that the "arms race" is a symptom and not a cause of the tension; that the tension and resulting instability would continue to exist regardless of any arms limitation or even force reductions unless the non-military issues are substantially resolved. With the resolution of these non-military questions the "arms race", to whatever extent it is an actual rather than alleged irritant, would evaporate. Moreover, the leverage of its economic aid programs should give the United States ample bargaining position with both nations.

Therefore, I would urgently hope that the United States will proceed to exercise initiative in this matter.

Sincerely,

Mansfield D. Sprague

10. **Memorandum of a Conversation, Department of State,
Washington, January 17, 1958¹**

SUBJECT

U.S. Aid to Pakistan and Indo-American Relations

PARTICIPANTS

The Secretary
G. L. Mehta, Indian Ambassador
Lampton Berry, Deputy Assistant Secretary, NEA
Armin H. Meyer, SOA

Ambassador Mehta described United States aid to Pakistan as the one unfortunate obstacle in Indo-American relations. He said that having spent more than five years in this country, he tried his best in some 25 speeches during his recent visit to India to explain to Indians America's friendliness. He was so outspoken, he said, that some Indian newspapers described him as "the United States Ambassador to India." He had pointed out to Indians everywhere that the United States has already extended \$1,000,000,000 in assistance to India. However, no one, he said, could understand United States military assistance to Pakistan. Noting that Mr. Krishnamachari² had estimated that India has been forced to spend \$500,000,000 more for military equipment than normal because of arms aid to Pakistan, the Ambassador said all Indians consider U.S. support of Pakistan an act of unfriendliness. He added that Indian bitterness toward Pakistan continues to exist, due largely to hostile statements made by Pakistani leaders. He asserted that Indian leaders on the other hand in their various utterances have reflected a genuine desire for a friendly and strong Pakistan. He noted that Indian Finance Minister Krishnamachari and Pakistan Finance Minister Amjad Ali had very friendly talks at Ottawa and there is no reason why Indo-Pakistan differences cannot be resolved.

Agreeing that this issue is a serious one, the Secretary expressed the belief that there has been willful misrepresentation on the part of Indian leadership concerning United States military aid to Pakistan. It appeared to him, the Secretary said, that this issue is being used as an excuse for an Indian military build-up.

¹ Source: Department of State, Central Files, 790D.5–MSP/1–1758. Secret. Drafted by Meyer. The Secretary and Ambassador Mehta also discussed U.S. aid to India; see Document 201.

² Tiruvallur Thattai Krishnamachari, Indian Minister of Finance.

The Secretary recalled how Mr. Bevan during his talks in Washington³ kept referring to categorical charges by Indian leaders that the United States by supplying bombers to Pakistan has compelled India to purchase British Canberra bombers. This was simply not so, the Secretary said, since the United States has not supplied any bombers to Pakistan. To have high Indian officials, he said, constantly assert that the United States is providing Pakistan with bombers when we are not doing so seemed to him to be something that ought to be looked into.

Agreeing that he did not want to see this issue exploited, Ambassador Mehta said that he wished to have further discussions with Messrs. Rountree and Berry to remove any misunderstandings. He went on to say that in India many elements are arguing that India should accept offers of arms from the Soviet Union. As long as Mr. Nehru remained Prime Minister, he did not believe the Soviet offers would be accepted, despite pressure in that direction.

The Secretary pointed out that although we have not supplied bombers to Pakistan, the acquisition of Canberra bombers by India has caused the Pakistanis to come to us demanding bombers because the Indians have them. "That's the way things get built up," he said. Ambassador Mehta countered that United States aid to Pakistan had started the arms race and he wondered how long the U.S. aid would continue. He said that India has received all sorts of reports as to the extent of the Pakistani military build-up, but has no way of knowing the precise situation. The Secretary stated that no doubt such stories have been exaggerated.

When Ambassador Mehta said many Indians are asking how long a poor country like India can continue when the power of the United States is behind Pakistan, the Secretary noted that the Pakistanis complain that it is United States economic aid to India which makes possible the Indian military build-up.

Asserting that the arms issue is being exploited by certain elements in India for their own ends, Ambassador Mehta reiterated his hope that he could discuss frankly and in detail the arms question with Assistant Secretary Rountree and Mr. Berry.

³ Aneurin Bevan, Treasurer of the British Labour Party and Member of Parliament. Dulles met with Bevan on November 2, 1957. A memorandum of that conversation is in Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199.

11. **Telegram From the Embassy in India to the Department of State**¹

New Delhi, January 29, 1958—7 p.m.

1966. This message is result consultation between Embassies Karachi and Delhi and is joint recommendation by Ambassador Langley and myself for US government secretly to attempt negotiations seeking settlement major outstanding issues between Pakistan and India. It supplements views previously submitted by both Embassies.

On procedural matters we believe: (1) US should undertake operation alone but should inform UK in advance; (2) initial approach should be made by US Ambassador Karachi and Delhi by presenting identical letters from President Eisenhower to Nehru and Noon respectively, with additional informal approach to Mirza along same line.

We suggest letters from President could be along following lines. We believe national interests of Pakistan and India make mutually acceptable solution of major outstanding issues on subcontinent highly desirable, perhaps essential to continued peace and prosperity of area. US interests also would benefit from such settlement. We believe there is common agreement on necessity for reducing international tensions while assuring safeguards for human rights and future development of democratic government in which we all believe. In past United States has endeavored assist India and Pakistan in programs which have been considered mutually beneficial for each country and United States. But experience has shown that certain basic issues involved in Indo-Pakistan relations remain unresolved and, in fact, are deterrent to the peaceful, progressive, democratic economic development which each nation desires and which foreign assistance program of US is designed to promote.

The US public and Congress obviously will be more willing approve continuance such aid if demonstrable and solid progress is made towards achievement of goals for which funds are appropriated.

I believe that the degree of progress which we all hope for can not be made in either Pakistan or India while those issues remain unresolved and while a major part of each nation's attention is concentrated on the military strength and posture of the other country. In order to utilize available resources of our three countries most effectively for common good I herewith offer good offices of my

¹ Source: Department of State, Central Files, 690D.91/1-2958. Secret; Priority. Repeated to Karachi.

government to assist in settling those major issues which are crucial to good relations between India and Pakistan and to peaceful, cooperative development of the area.

My personal representative, Ambassador Bunker (Langley), has been authorized to discuss this matter with you and to arrange for further negotiations if you desire. A similar approach is being made by Ambassador Langley (Bunker) in Karachi (Delhi). If negotiations are undertaken and successfully concluded, government will take measures assist, if necessary, in implementation of such settlements designed to contribute to economic development of India and Pakistan. *End substance of letter from President.*

If it is agreed that such letters be sent by President, it is important to have clear oral statement ready for each Ambassador to make when letter is presented. This oral statement might include following points:

(1) Suggestion of issues to be covered in negotiations which would include at least Kashmir, canal and river waters,² partition finance settlement, possibly refugees. The Ambassador would presumably ask what other subjects should be included in package settlement. (However, we should attempt to limit discussion to essential subjects.)

(2) We believe that negotiations should be divided into two distinct phases:

A. Preliminary approach. We believe this should be made by US Ambassadors at Karachi and Delhi dealing directly with Mirza/Noon and Nehru. We believe this method essential if secrecy to be maintained so that PM's will have opportunity to work out procedure for second or formal stage of negotiations.

B. Formal negotiations. This stage would begin when PM's have agreed on desirability of negotiations. Place and method would have to be settled on basis convenience, maintenance of security, identity of negotiators and, of course, would be in accordance wishes PM's concerned. Negotiations could be held in Karachi and Delhi or any other mutually agreeable place such as New York, Geneva, Tokyo, and there should be agreement on method, e.g., should US representative deal only with one government initially, then go to other government and back and forth as negotiations progress, or should representatives of GOI, GOP and US sit down together from beginning?

(3) Point out, in case of India, that this year executive branch of US Government did not feel it could ask Congress for big loan for India; that, as Dillon told Dayal in December, 1957,³ India's continuing needs two and three years from now will have to be approached in

² The International Bank for Reconstruction and Development (IBRD) had been mediating the dispute between India and Pakistan over the division of the waters of the Indus River since 1952.

³ For a memorandum of a conversation between Dillon and the Indian Ambassador, held in Washington on December 14, 1957, see *Foreign Relations, 1955–1957*, vol. VIII, p. 407.

light situation at that time; and therefore, it would be highly desirable show real progress in settling basic problems of subcontinent before US Congress meets in 1959.

(4) Point out, in case of Pakistan, heavy drain on nation of continuing military expenditures and need to switch to greater economic development; imply US may have to cut down on military aid to Pakistan, but hopes greater economic aid could be extended if favorable conditions generated; and this in turn depends on settling basic issues with India which now impede economic progress on which life of country ultimately depends.

(5) Generally emphasize this is most serious offer which US making for sake peace, progress and democracy in South Asia. We recognize difficulties in reaching settlement on issues in question but believe no time should be lost in seeking ways toward improvement of situation on subcontinent, particularly if progress is to be demonstrated before US Congress meets in 1959.

(6) If Nehru asks immediately, as can be expected, what assurance there is that GOP will either negotiate in good faith or be able to carry through on any commitments, an answer might be: (A) We think Mirza trustworthy and strong enough to fill bill; (B) GOP similarly questions good faith of GOI and fears growth of Communism in India; (C) basic self-interest of both countries is overwhelming motivation; (D) in final analysis it takes certain amount of faith which can be justified only if it is tried.

(7) If Prime Minister/President asks what assurance there is that GOI will either negotiate in good faith or be able to carry through on any commitments, answer might include inter alia: (A) With the second 5-year plan hanging in balance, Nehru and the Congress have particularly strong reasons now for wanting to cut defense expenditures, which they will do only when Indo-Pakistan differences are settled; (B) it is worth keeping in mind that Nehru is not a young man and that he is likely to give the Pakistanis a fairer deal than any successor; (C) not only would Nehru's successor or successors in all likelihood be far more intransigent stick once it was negotiated; [*sic*] (D) we believe both countries have strong enough motivation and sufficiently trustworthy leaders, so that they justified in acting partially on faith that the other side will negotiate in good faith.

We understand that consideration is being given to a good-will visit to this area by Milton Eisenhower. We think this is excellent idea on its own merits. If such visit could take place shortly after initial soundings by Ambassadors it could, if considered desirable in the light of the reactions received, provide opportunity for Milton Eisenhower to give useful impetus to negotiations by personally stressing to Mirza

and Nehru the importance which our President attaches to their success.⁴

Bunker

⁴ In a letter to Ambassador Bunker of February 26, Frederic P. Bartlett noted that the Department appreciated receiving the draft letter contained in telegram 1966. He enclosed current working drafts of the proposed letter from President Eisenhower to the Prime Ministers of India and Pakistan as well as a talking paper to be used by Ambassadors Bunker and Langley upon presentation of the letter. (Department of State, SOA Files: Lot 62 D 43, Package) On February 28, Bartlett forwarded these papers to Rountree for his comments and suggestions. (*Ibid.*)

12. Letter From the Acting Assistant Secretary of State for Near Eastern, South Asian, and African Affairs (Berry) to the Assistant Secretary of Defense for International Security Affairs (Sprague)¹

Washington, February 6, 1958.

DEAR MR. SPRAGUE: I have received your letter of January 17² addressed to Mr. Rountree and am pleased to have your comments on the proposed negotiations to reduce tensions between India and Pakistan. It is gratifying to know that you and the Joint Chiefs share our desire to find a practicable means to bring about a better relationship between India and Pakistan.

I should like to reassure you as to the two points which you raise. The agreement on arms limitations we have in mind would not involve a reduction in the armed strength of the two countries. It is specifically understood that Phase I of our commitment to Pakistan would be fulfilled. The objective would be limited to maintaining the armed strength of both India and Pakistan at agreed levels so that an increasing proportion of their income could be devoted to building the economic strength and stability so important to their capacity to resist both overt and covert aggression. We are convinced that the development of the economic strength of both countries is an essential part of the defense of the subcontinent as well as the Baghdad Pact and the SEATO areas.

¹ Source: Department of State, Central Files, 690D.91/1-1758. Secret. Drafted by Helen R. Nicholl of SOA on January 31.

² Document 9.

The part of our proposal which mentions the defense of India and Pakistan against aggression is intended to be a reiteration by the President of statements already made regarding the willingness of the United States, in the event of aggression, to support either or both countries under the principles of the United Nations Charter. No commitment involving the use of U.S. forces is contemplated.

Mindful of the Defense Department's position, as stated in your letter, the Department of State is proceeding to develop a negotiating plan for achieving the proposed improvement in Indo-Pakistan relations. I shall keep you informed of progress made and will look forward to discussing the pertinent details with you as successive steps are taken.

Sincerely yours,

Lampton Berry³

³ Printed from a copy that bears this typed signature.

13. Telegram From the Embassy in Pakistan to the Department of State¹

Karachi, February 12, 1958—10 a.m.

1993. Department pass USUN. From Lodge.² Reference: Kashmir. On February 10 Ambassador Langley and I had an hour's conversation with Prime Minister Noon. We discussed other subjects on which I will report by memo but the most significant thing Noon said involved the Pakistanis' attitude towards a Kashmir-waters settlement. The Prime Minister said emphatically that Pakistan was tired of the Kashmir dispute and ready for a settlement. Agreement between India and Pakistan on Kashmir would inevitably lead to a solution of the water distribution problem. On the latter subject, he reviewed the International Bank's first scheme for a distribution plan which he said would have involved \$1 billion, which neither India nor Pakistan could find. An alternative scheme that had been suggested for an independent supranational water authority would never be accepted

¹ Source: Department of State, Central Files, 690D.91/2-1258. Secret; Priority. Repeated to New Delhi.

² Henry Cabot Lodge, Representative at the United Nations, was in Pakistan February 9–12 during a trip which also took him to Iran and India. Documentation on the Lodge trip is *ibid.*, 310.311.

by either side. (On this he seemed deliberately to be speaking vaguely and it was not clear whether he referred to the later Bank proposals.) The solution to the waters problem therefore lay in a settlement of the Kashmir problem. This could automatically take care of the allotment of rivers and their output.

Noon went on to say that Pakistan understood that the US could not attach strings to its loans to India. This was our policy and Pakistan appreciated the reasons for it. At the same time, the Pakistan Government hoped that while we were giving assistance to India we would encourage a settlement on Kashmir.

Noon made no mention of a plebiscite and it seemed to me that he was clearly thinking of a compromise which would provide for a territorial division between India and Pakistan. His reference to the rivers strengthened this impression. I inquired if he was thinking of an overall package settlement. He said that this was the case. I said that I thought this was a statesmanlike approach and one which I personally applauded. Responding to his suggestion for US pressure on India for a settlement, I said that if the opportunity arose while I was in New Delhi, I would be ready to lend any support that I could for a settlement.

Noon said that Graham had come back from Delhi to Karachi with a memo which contained a number of points, the most significant of which to his mind was the suggestion that the Prime Ministers of the two countries should meet directly in a neutral place to discuss the Kashmir question. Noon said he felt that including this point in his memorandum indicated some possibility that Graham had reason to believe it would be agreeable to Nehru. He thought that the sooner the better and mentioned the possibility of a meeting in April. Noon also said that he believed Graham had Ceylon in mind as a neutral place.

Amjad Ali, the Finance Minister, in a separate conversation evening February 10, said that Pakistan Government was ready and anxious for a compromise settlement if a similar attitude toward compromise existed in the Indian Government. He believed that if the two countries approached the question in the same spirit, an agreement was entirely possible. He hoped that we could help.

Everything that I have heard here and in New York before departing leads me to believe that the Pakistan Government is in a better mood for compromise than I have ever observed at any time in the past in our dealings with Noon and the Pakistan delegation in New York. If the Department has any further suggestions as to how I might

encourage a similar attitude in New Delhi, I would appreciate early advice.³

Langley

³ In telegram 2014 to New Delhi, February 14, the Department informed Lodge as follows: "Any general exchange of views with Nehru or other GOI officials along same lines will be most helpful. You may wish open broad discussion Indo-Pak problems with Nehru by inquiring possibility Indian acceptance Iliff proposals Indus Waters on which Ambassador Bunker can give you latest information. We believe no reference our proposed package solution desirable because we feel our first approach this matter should be made only after Graham returns New York." (*Ibid.*, 690D.91/2–1258) In telegram 2041 from Karachi, February 18, the Embassy noted that "the official Pakistani state of mind" was probably more favorable to a Kashmir settlement than ever before, as indicated by Noon in his conversation with Lodge. "However, we would like put Department on guard against over-optimism and recommend gratifying declarations of Pakistanis be taken with grain of salt." (*Ibid.*, 690.90/2–1858)

14. Telegram From the Department of State to the Embassy in Pakistan¹

Washington, February 13, 1958—5:03 p.m.

2032. Re Embtel 1955.² Department encouraged by sympathetic consideration given Iliff's new proposal for settling canal water dispute. Department does not wish identify itself with any one proposal but hopes that India and Pakistan work out a mutually agreed solution to this vital problem, utilizing services of IBRD. This principle should govern character representations by Embassy seeking to encourage GOP respond positively to new Iliff proposal. As in past Department

¹ Source: Department of State, Central Files, 690D.91322/2–758. Confidential. Drafted by John M. Howison and Henry W. Spielman of SOA and approved by Bartlett. Repeated to New Delhi, Dacca, and Lahore.

² In telegram 1955, February 7, the Embassy reported on a conversation between Ambassador Langley and William A. B. Iliff, Vice President of the International Bank for Reconstruction and Development, held on February 3. Iliff reviewed the results of his recent trip to India and Pakistan in his continuing effort to mediate the Indus Waters dispute. The Embassy commented in part as follows: "We are favorably impressed by new IBRD plan which would approximately cut costs old proposals in half according Iliff's very rough calculation. Iliff comments Indian position moderately encouraging and we believe Pakistan's initial response does not preclude agreement to exploratory talks." In closing, the Embassy requested the Department's instructions on the extent to which it could support the IBRD proposal with the Pakistanis. (*Ibid.*, 690D.91322/2–758)

anxious avoid giving excuse for any impression USG is intruding in field of IBRD negotiations.³

Herter

³ During a meeting in Washington with Department of State officials on March 4, Iliff presented a copy of the IBRD's plan for settling the Indus Waters dispute. The Department transmitted the text of the plan in telegram 2166 to New Delhi (also sent to Karachi and London), March 7. (*Ibid.*, 690D.91322/3–758)

15. Telegram From the Embassy in Pakistan to the Department of State¹

Karachi, March 10, 1958—2 p.m.

2250. Re London's 5370 to Department.² UK attitude to supply arms and equipment to India or Pakistan (except submarine for cash on barrelhead) seems to us to ignore political facts of life in sub-continent. To excuse policy on theory such arms and equipment otherwise would be bought from Communists still ignores responsibility UK to assist in preventing arms race and in keeping peace between two members Commonwealth while at same time helping them to attain economic viability.

[1 paragraph (3½ lines of source text) not declassified].

Result of UK attitude has been to unload military hardware on both India and Pakistan not warranted by their needs for internal security or protection against each other, latter being principal motivation defense expenditures both countries today, regardless of Pakistan commitments under BP and SEATO.

US, though providing Pakistan with military assistance, is at same time using fact to hold down increases Pakistan defense expenditures. Refusal to equip cruiser *Babur* sold Pakistan by UK and deferral provision 20 bombers re 1954 mémoire³ only two of many examples of our deterrent influence (Embdes 802⁴ to follow lists many more).

¹ Source: Department of State, Central Files, 790D.5621/3–1058. Secret; Noforn. Repeated to London and New Delhi.

² In telegram 5370, March 11, the Embassy in London reported that, in response to its queries, British officials indicated that the United Kingdom did not intend to change its policy regarding the supply of arms and equipment to India or Pakistan. (*Ibid.*, 790D.562/3–1158)

³ Dated October 21, 1954; for text, see *Foreign Relations, 1952–1954*, vol. xi, Part 2, p. 1869.

⁴ Dated March 13. (Department of State, Central Files, 790D.5–MSP/3–1358)

Believe Washington should talk with London seeking its greater cooperation in reducing provocations caused by UK arms sales in sub-continent.

Langley

16. Telegram From the Mission at the United Nations to the Department of State¹

New York, March 12, 1958—9 p.m.

1007. Re Kashmir.

1. We spoke to Graham and SYG separately today about Dept's concern Graham report not elicit SC meeting (Deptel 651).² Lodge also seeing Graham at 10:30 Thursday.

2. SYG emphatically of same opinion and clearly intends do all he can to persuade Graham not to make recommendations listed below. SYG encouraged Graham to consult with UK and US Dels, in response his request, in hopes we can persuade him drop his recommendations. SYG feels this can only be done by strong line from all three. He thinks Graham's approach "headline making" heroics which dangerous because it would put issue on tack not conducive to solution. SYG expects Jarring³ (Sweden) when he returns will also help with Graham.

3. Graham plans make two recommendations:

(A) That UN force be stationed on Pak soil along Pak-Kashmir border in connection with withdrawal Azad Kashmir and [of?] Pak forces and withdrawal bulk Indian forces from Kashmir.

(B) That there be meeting of PriMins, or other appropriate level, between India and Pakistan to reach agreement on solution (which will in his opinion have to include plebiscite in Vale). SYG said Graham had third recommendation which unclear to him. He did not mention any to us.

4. Graham proposed both these ideas in aide-mémoire to India and Pakistan while in area. Pak agreed to UN force on its territory and to meeting. India said introduction "foreign forces" on Pak border

¹ Source: Department of State, Central Files, 690D.913-1258. Secret; Priority.

² Dated March 10. (*Ibid.*, 690D.91/3-1058)

³ Gunnar Jarring, Swedish Representative at the United Nations.

would be “unfriendly act”. India also replied re meeting that idea put India and Pakistan on same footing re Kashmir, which was position they did not agree with.

5. Graham felt Indians could not say no to UN force in Pak because it out of India’s jurisdiction. Also believed difficult for India to reject “summit” meeting when suggestion made publicly. He pointed out UN force idea met India’s position on augmentation of forces, because it would provide India with protection, and also would destroy India’s argument against Western supply of arms to Pak. He also observed Nehru had talked very little about US–USSR summit meeting since he had proposed Pak–India meeting.

6. Graham had also proposed both India and Pakistan make statements against war propaganda in accordance Part I E of 1948 UNCIP res. Pak agreed but India refused.

7. He described discussions with Paks as cordial and open, although he had some blunt words with Khan Noon. He believes Pak will do almost anything that could bring about plebiscite. He does not believe any division of Kashmir possible without plebiscite in Vale. No Pak govt could agree to it, or if it did govt would fall. He thought there was strong public opinion feeling in Pak which might take law into own hands if something not done. He also said that attempt to solve issue without at least partial plebiscite would result in denunciation of UN by Sheikh Abdullah⁴ and strong reactions in area.

8. He described Indian attitude as: “We stand behind our engagements but Kashmir is already part of India, in our constitution, and issue is settled.” Menon did most of negotiating and Nehru backed him up. He felt all of Menon’s arguments were specious and report would reveal this.

9. Graham obviously feels great sense of responsibility to say what he thinks is “right” on issue. [1½ lines of source text not declassified] he said he believes great powers have to stand up to situation on honest basis and not equivocate because of importance of India, even if this means Soviet veto and referral of case to GA. He believes straightforward stand only effective one for UN in long run, citing his experience in Indonesia as example.⁵

10. He said pressures were already beginning to develop on him to produce type of report Jarring submitted, which would say in effect he had not been successful and that he had no suggestions as to how

⁴ Prime Minister of Kashmir, 1947–1953.

⁵ Graham served as U.S. representative on the three-nation Good Offices Committee between 1947 and 1948. The committee had been set up by the Security Council in August 1947 to help settle the dispute between the Netherlands and the Republic of Indonesia.

to proceed. He appreciated our desire to avoid early SC session if we had any ideas as to what might be done otherwise, but he could not change his report, which would be along lines he had indicated.

11. Main value of report of this nature according Graham would be that it would open up situation that has been tightly circumscribed for several years. Whether it would produce concrete results would depend on degree to which big powers would bring pressure to bear on both, but India in particular. (SYG said Graham told him UN force idea would not bring about plebiscite. Aside from practical difficulties which would make such force near impossibility, SYG felt net result would therefore be zero and recommendation was "dead before it was born". SYG saw utility in "summit" meeting to sign agreement worked out beforehand but thought it would do great damage if not thoroughly prepared in advance.)

12. Expects report to be finished in week or 10 days.

13. At 10:30 meeting in morning we plan unless instructed otherwise to concentrate (A) urging Graham to write report in such manner or with such approach as to avoid precipitating meeting, (B) express personal doubts about feasibility UN force idea from UN political and financial point of view and about its efficacy in bringing plebiscite any closer, suggesting it might be best to leave this question in report proper as record of what he proposed rather than include it as future recommendation, and (C) make no comment about idea of PriMins meeting except that we would of course be delighted if they could work something out between themselves. Meeting can be postponed until later in day if Dept wishes.

14. Graham is quite sensitive about any attempts influence his report. He referred to efforts he felt were made by Dept at time he was handling Indonesian case. If Dept wishes us to make further efforts believe it may be necessary give him some idea of our own plans to show basis our concern. We may have recommendations about this after seeing him tomorrow.

Lodge

17. Telegram From the Mission at the United Nations to the Department of State¹

New York, March 13, 1958—7 p.m.

1011. Re Kashmir.

1. I saw Graham this morning at his request. He gave me substantially same information as reported yesterday USUN 1007.² Additional points as follows:

a. India-Pakistan PriMins' conference would be under UN auspices.

b. He had also recommended both parties reiterate their adherence to cease-fire line and intention to respect it. He believes this would reassure Pakistanis that Indians would not take over rest of Kashmir if they withdrew in accordance with resolution.

c. He observed tribes in Northern Territories had been subsidized and supplied by British for hundred years and that Pakistanis were doing so now. He told Menon study would have to be made of methods of continuing supplies if Pakistanis withdrew in preparation for plebiscite.

2. Graham said he felt strongly Kashmir problem could not be swept under rug as some people seemed to think. He believes Pakistanis suspicious U.S. and UK may let them down in UN on Kashmir because of India's importance and if they became convinced this was case, people would take matters in own hands.

3. I assured him we shared his concerns and greatly appreciated contribution he was making in seeking solution to problem. I said we had hopes substantial progress might be made in near future on quiet basis. We felt SC session might prevent this and would certainly block type of India-Pakistan meeting he had in mind. We therefore hoped report would not be of such nature as to compel SC session. Graham replied this was up to SC members. I pointed out approach he used in report would have great deal to do with whether SC would believe meeting necessary.

4. Also assured him any recommendations which person of his stature and integrity made would receive most earnest study by U.S. I asked him if it would be possible to see copy his draft report in advance, commenting that we would like to study it and possibly talk to him about it again before it was released. He agreed to do this. (Anticipate receiving it early next week. He is still working on certain aspects of it.)

¹ Source: Department of State, Central Files, 690D.91/3-1358. Secret; Priority; Limited Distribution.

² *Supra.*

5. In departing he indicated he had made himself available to UK but doubted whether they would want to see him. We have not spoken UKDel.

6. While it not desirable make firm decisions until report available, believe on basis information he has given us we should encourage him lay emphasis on PriMins' conference idea, putting it in most hopeful and businesslike manner, and to play down UN force with idea of keeping it out of his recommendations if possible. Recommendation stressing value of conference should fit in well with our own plans.

Lodge

18. Telegram From the Department of State to the Embassy in Pakistan¹

Washington, March 14, 1958—5:56 p.m.

2331. Department has considered Mueenuddin suggestion (Karachi's telegram 2176² repeated New Delhi 272, London 120) that USG "guarantee" any Indus waters agreement. It noted (a) Mueenuddin speaking for himself not GOP and (b) he failed explain type "guarantee" desired.

FYI. Although Department's traditional position nonintervention in Indus dispute while Bank negotiations under way remains unchanged and Department feels solution problem can best be achieved as part "package" proposal, perceive no harm in trying help Bank negotiations (last para Deptel to New Delhi 2166,³ Karachi 2253, London 6300).

¹ Source: Department of State, Central Files, 690D.91322/3–458. Secret. Drafted by Louis B. Poullada and approved by Bartlett. Repeated to New Delhi and London.

² In telegram 2176, March 4, the Embassy reported that during a call on Ambassador Langley the previous day G. Mueenuddin said that Pakistan had decided to turn down the latest IBRD proposal on the canal waters. (*Ibid.*, 690D.91322/3–458)

³ Telegram 2166 to New Delhi, March 7, summarized a conversation between Department of State officials and Iliif on March 4. The last paragraph contained Iliif's suggestion that "it might be possible for USG, drawing from its own experience of international rivers and knowledge UN procedures, to help Paks better understand techniques and problems involved in securing compliance with treaty arrangements. Department studying position it should take re this suggestion." (*Ibid.*, 690D.91322/3–758)

Embassy in its discretion and without reference substantive merits any proposal for partition Indus waters, authorized convey informally following information to Mueenuddin or other Pak officials if question raised again by them. Embassy may wish coordinate with UK Hicom in view London telegram 5369⁴ repeated New Delhi 109, Karachi 96. End FYI.

Basic USG position noninvolvement Indus waters controversy while IBRD negotiations under way remains unchanged. With respect “guarantee” of agreement which might result from such negotiations, however, USG at all times prepared use its influence achieve settlement by peaceful means disagreements arising from alleged breach such agreement. This policy would apply equally to Pakistan and India. Aggrieved country would be in stronger position utilize such US support if clearly defined water treaty in existence. Both Pakistan and India would be well advised seek additional protection by incorporating in treaty self-executing provisions to minimize area of possible disagreement and provide machinery to settle differences. This possible by creation Joint Indo-Pak Water Commission similar that created by US-Mexico treaty.⁵ Such commission could perhaps include IBRD or other neutral member who could be designated by UN Secretary General if desirable. Treaty might also provide for arbitration by some neutral body and/or adjudication by International Court Justice. These merely suggestions for possible negotiation between GOP and GOI, not USG proposals. However USG willing place at disposal both governments full information its experience on organization and operation joint water commissions whenever negotiations reached point where such information useful.⁶

Herter

⁴ In telegram 5369 from London, March 11, the Embassy indicated that British officials were “understandably reluctant” to get involved in the Indus Waters dispute since it had become a serious issue between Commonwealth partners. (*Ibid.*, 690D.91322/3–1158)

⁵ Reference is to the Convention providing for the equitable distribution of the waters of the Rio Grande for irrigation purposes, which was signed in Washington on May 21, 1906, and entered into force on January 16, 1907. (48 Stat. 1621)

⁶ Telegram 2341 from Karachi, March 21, reported Mueenuddin’s disappointment when the Ambassador conveyed the contents of telegram 2331. Mueenuddin felt that the treaty needed to be guaranteed by an “outside power or powers,” specifically the United States. (Department of State, Central Files, 690D.91322/3–2158)

19. Telegram From the Embassy in Pakistan to the Department of State¹

Karachi, March 14, 1958—6 p.m.

2286. Reference: Department's 2315² and 2321.³ While we are sure Pakistanis would welcome Graham's planned recommendations we do not think they provide a realistic basis for advancing a settlement.

We fully agree that his report should not be such as to precipitate an SC meeting.

We are certain that if Graham makes his reported recommendations other initiative under consideration will have to be postponed indefinitely. The Pakistanis would certainly press for a decision on Graham's reported recommendations before entertaining other proposals.

We are increasingly of opinion it important to initiate "package deal" talks with GOP quite soon, therefore apprehensive over any more delaying possibility. Indeed, Pakistan leaders, and press and people as well, developing psychology of frustration as result inability achieve foreign policy objectives. This enhanced by continuing economic deterioration, impact of new taxes, and in past fortnight has been sharply stimulated by fear that India will become US "chosen instrument" in area. Emphasis on India in Congress in addition to recent US loan to India, generally stiffer line which we are taking vis-à-vis Pakistan military requests, are all adding up to serious uneasiness. While we know, of course, that above Pakistan fears are groundless and product of Pakistanis' imagination this does not change fact that they exist and will complicate increasingly Pakistan-US relations. This situation may worsen as long as Pakistan uncertainty re US intentions continues. I believe it increasingly imperative we take up package proposal with GOP which, though not everything GOP might desire, should be appreciably more reassuring than thoughts going through minds of so many Pakistan leaders as to real US attitudes towards both Pakistan and India.

Langley

¹ Source: Department of State, Central Files, 690D.91/3-1458. Confidential; Priority; Limited Distribution. Repeated to New Delhi.

² Telegram 2315, March 13, repeated telegram 1007 from USUN to Karachi and New Delhi. (*Ibid.*, 690D.91/3-1258) Telegram 1007 is printed as Document 16.

³ Telegram 2321, March 13, reads as follows: "Graham conversation with Lodge today simply confirmed information New York's 1007, on which your comments urgently requested, including your estimate parties' reactions and possible effect upon other initiatives we have under consideration. USUN limited comment to hope early SC meeting would not be precipitated. USUN consulting with UK." (Department of State, Central Files, 690D.91/3-1258)

20. Telegram From the Embassy in India to the Department of State¹

New Delhi, March 15, 1958—2 p.m.

2353. Department pass USUN. Deptel 2201, information Karachi 2315.² Re Kashmir. We agree it best that Graham not submit recommendations reported in reference telegram. They will harden Pakistanis' and Indians' contrary attitudes, for different reasons; if they come to table, discussion stage will force US into positions which will gravely impair US effectiveness as mediator; will result in no UN action since USSR will undoubtedly veto. Argument which should be advanced to Graham is that recommendations would gravely prejudice possibility of any overall settlement of Indo-Pakistan problems, on which we have been working. "Package" is answer to "what might be done otherwise" and if successful would achieve objective Graham and rest of us are seeking.

If Graham insists on incorporating recommendations in question we think it probably best that he submit report as soon as ready since it would have disrupting effect on package negotiations if submitted middle thereof. We do not see how Graham could delay final report until settlement reached.

Difficult to foretell what effect on Nehru's receptivity to package approach publication of report would have, but on balance we believe it would be better from viewpoint here to try approach as soon as possible after publication and in any case before brickbats start flying at SC table and US forced to take positions there. Approach would thus be pegged to dangers of situation created by further SC go-around. Nehru's reactions always unpredictable but he might, upon seeing solid rebuff from Graham and foreseeing damaging SC and possibly GA support for Graham, welcome package mediation offer as best hope and refrain from provocation if Pakistanis will cooperate. We await with interest Embassy Karachi's estimate GOP reactions.

Our views on timing set forth in agreed message being sent Karachi today are modified by above.³

Bunker

¹ Source: Department of State, Central Files, 690D.91/3-1558. Secret; Niact. Repeated to Karachi.

² See footnote 2, *supra*.

³ Reference is to telegram 2289 from Karachi, March 15. (Department of State, Central Files, 690D.91/3-1558)

21. **Telegram From the Mission at the United Nations to the Department of State**¹

New York, March 17, 1958—6 p.m.

1028. Re Kashmir.

1. Graham asked to see Lodge today and agreed talk to Mission officer in his absence. As result last conversation with Lodge (USUN 1011)² he has decided to modify report.

2. He now plans to report on five proposals he made to parties, all of which Pakistan accepted and India rejected. He did not say what these were, but they obviously include UN force and "summit" conference idea.

3. His sole "recommendation" will be that he still hopes it will prove possible for "summit" conference to be held between India and Pakistan instead of SC session "now". He will probably indicate that conference should deal with various issues shown in SC sessions and his mission to be holding up plebiscite, as well as with such other issues as might relate to or facilitate settlement. He definitely has water agreement in mind. He said he might even speak of "overall settlement" if we wished.

4. He said he was willing to make this alteration to meet our concern about SC session at this point, although from his point of view he would be prepared to have one. He hoped this would be helpful.

5. He had decided after further reflection that it would be wiser not to show us draft report itself. He had not shown it to SYG either. He thinks he will certainly be asked by press if it was shown to us prior to release and wants to be able to say no. He feels we should be in position to say same.

6. We thanked him for helpful development and attitude, and reserved possibility further conversation with him in next day or two by Lodge after he informed.

7. Our preliminary reaction is our major objective has been achieved and it will now be best to let Graham proceed on his own along above lines.

Wadsworth

¹ Source: Department of State, Central Files, 690D.91/3-1758. Secret; Priority; Limit Distribution.

² Document 17.

22. Memorandum of a Conversation, Department of State, Washington, March 19, 1958¹

SUBJECT

Indo-Pakistan Relations

PARTICIPANTS

Dr. Sarvepalli Radhakrishnan, Vice President of India
Ambassador Gaganvihari Mehta, Indian Embassy

The Secretary
NEA—Mr. William M. Rountree
SOA—Mr. Frederic P. Bartlett

During Dr. Radhakrishnan's unofficial two-day visit to Washington, he met with the Secretary for about half an hour. Several matters were discussed, including the above subject.

The Secretary told Dr. Radhakrishnan that he sincerely hoped the long continuing problems which had disturbed Indo-Pak relations could be settled. He explained the difficulty which was posed for the United States when it wished to be friends with two countries or groups who themselves were disputing between each other, noting as examples: Arabs-Israelis, Saudi Arabians-Egyptians, Indonesians-Dutch. In instances of this kind it seemed to the United States that the Soviets invariably tried to move in and make the local disputes more acute. Although the countries with which we wish to have friendly relations might not all be considered to have free domestic political institutions, they were alike in being free from international communism and, therefore, presumably the Russians consider it to be in their national interest to try to weaken them by setting one against the other.

Dr. Radhakrishnan stated that it was hard for the Government of India to deal with Pakistan on basic issues since the government of that country was unrepresentative. It had not had any national election since it gained its independence. He believed that the lack of internal political stability in Pakistan tended to encourage its shaky governments to stress external conflicts in order to distract their people from domestic problems. India actually would like to see Pakistan prosper both politically and economically since India's own prosperity was closely bound up with that of its neighbor. Pakistan, on the other hand, apparently wished to develop positions of military strength before seriously negotiating with India.

¹ Source: Department of State, Central Files, 033.9111/3-1958. Confidential. Drafted by Bartlett. Radhakrishnan also met with President Eisenhower; see Document 207.

The Secretary continued that Dr. Radhakrishnan must know that India was causing the United States a lot of trouble through its purchase of bombers from Great Britain. He did know one thing, Dr. Radhakrishnan said, and that was that India's purchases of bombers, jet fighters, tanks, etc. were being used by Pakistan as an argument to secure more military aid from the United States.

The Secretary and Mr. Rountree both concluded this portion of the conversation by calling Dr. Radhakrishnan's attention to the fact that actually Pakistan did not presently have any bombers at all.

23. Telegram From the Department of State to the Embassy in Pakistan¹

Washington, March 20, 1958—5:11 p.m.

2379. Re Karachi Embtel 2326,² rptd info New Delhi 299, London 132. Following secret memorandum delivered Department by British Embassy representative March 18:

"RELATIONS BETWEEN INDIA AND PAKISTAN

1. We understand Dr. Graham may present his report end this month. Nehru's statement Parliament New Delhi March 3³ and Noon's speech National Assembly Karachi March 8⁴ suggest little hope progress through direct negotiations between the two parties, as Graham apparently contemplates.

2. We should be able avoid Security Council meeting for period of about month after presentation Graham's report by arguing need to study before we commit ourselves. Intransigent tone Noon's speech

¹ Source: Department of State, Central Files, 690D.91/3–2058. Secret. Drafted by Bartlett on March 18 and cleared with Rountree. Also sent to New Delhi and London.

² In telegram 2326, March 19, from Langley to Rountree, the Ambassador commented on telegram 98 from London, March 20. (*Ibid.*, 790D.5622/3–1858) He indicated that he found some encouragement, "in an otherwise disturbing telegram," from the Embassy's conviction that the British Government was genuinely worried by the Indo-Pakistan arms race and would welcome discussions with U.S. officials on the whole problem. "I believe initiation talks suggested Embtel 2250 and London's 98 imperative," Langley stated, "and believe they might help tide us over until other contemplated US initiatives in sub-continent are further developed." (*Ibid.*, 790D.5621/3–1958) Telegram 2250 from Karachi is printed as Document 15.

³ In this speech, Nehru endorsed Krishna Menon's rejection of the U.N. resolution of December 2, 1957, and said that the Government of India had reiterated to Graham its position that "action has to be taken by Pakistan to vacate the aggression." The text of Nehru's remarks was transmitted to the Department in despatch 1033, March 13. (Department of State, Central Files, 690D.91/3–1358)

⁴ See footnote 2, Document 300.

March 8 must be taken as warning that a repetition of last year's acrimonious debate in SC may be imminent with consequent exacerbation of relations between the two countries. In circumstances we consider time has come for full and frank consultations with US authorities about Indo-Pakistan relations.

3. Such consultations might be on following lines:

(a) US-UK discussions should be held Washington *on strictly secret basis* soon as convenient after presentation Graham's report; perhaps during week beginning April 14.

(b) These discussions should cover in particular questions of Kashmir and of supply of arms to India and Pakistan.

(c) It might in addition be useful discuss Indus Waters question, dependent on progress of Iliff's negotiations at the time; and also economic aid insofar as it bears on these three questions."

Department replying to effect it agrees talks would be helpful and would like leave date open bit longer permit clearer assessment current Graham and Iliff negotiations.

FYI. Department also believes it desirable have firmly cleared USG position re package approach and addressee Embassies suggestions re timing and agenda prior setting definite date for talks with British.

Dulles

24. Editorial Note

In a letter of March 21 to J.R.A. Bottomley, First Secretary of the British Embassy, Bartlett stated that the Department appreciated the British memorandum of March 18 (see *supra*) and agreed that talks between U.S. and British representatives regarding India and Pakistan would be helpful. He added that the Department would like to leave the date for the talks open a while longer "until we can assess more clearly the possible effects of the current Graham and Iliff negotiations." (Department of State, SOA Files: Lot 62 D 43, Package)

In telegram 5649 from London, March 25, the Embassy summarized the "preliminary thinking" of British officials with regard to the upcoming talks on relations between India and Pakistan. It was evident, the Embassy commented, that the British Government was "searching for positive steps arrest deteriorating Indo-Pakistan relations and Embassy believes it will be glad consider any US proposals this nature which are put forward in forthcoming talks. British have apparently realized that while policy impartial sale of arms to both

India and Pakistan may preserve UK's neutrality in bitter fraternal quarrel within Commonwealth and keep Russian influence out of India's armed forces, it does nothing prevent exacerbation of Indo-Pak quarrel which may ultimately rend Commonwealth apart and throw one or both antagonists into arms of Russians. However, UK Government wants before abandoning its neutral perch on bank to make sure it will take plunge into raging stream on controversy hand-in-hand with us." (*Ibid.*, Central Files, 690D.91/3–2658)

In telegram 2359 from Karachi, March 24, the Embassy suggested that once U.S. officials began discussing the arms race between India and Pakistan with British officials they would inevitably be led into discussing aspects of the package deal, "especially if talks are to be meaningful." Accordingly, the Embassy recommended that the United States should reveal the package deal early in the discussions and seek British cooperation in the solution of the immediately pressing problem of supply of arms to India and Pakistan. (*Ibid.*, 690D.91/3–2458) The Embassy in India offered a different opinion in telegram 2444 from New Delhi, March 26. It suggested that the U.S.–U.K. talks would be useful if they did not prematurely raise the issue of the United Kingdom joining the United States in the proposed package approach to India and Pakistan. "We still think US should do these alone," the Embassy stated, "mainly because of GOI distrust of UKG resulting from Suez situation in 1956." (*Ibid.*, 690D.91/3–2658)

25. Editorial Note

On March 28, Frank Graham submitted his report on the Kashmir dispute to the U.N. Security Council. The U.S. Mission briefly summarized the report in telegram 1086 from New York, March 28:

"Report follows pattern previously indicated to us by Graham. He states his hope two govts will keep under consideration his proposal for high-level conference and will find it possible promptly themselves make preparations for holding such conference which would include on agenda basic differences they find stand in way of settlement and such other matters they find would contribute to progress toward implementation UNCIP resolutions and toward peaceful settlement." (Department of State, Central Files, 690D.91/3–2858)

For text of Graham's report, see U.N. doc. S/3984.

26. Memorandum From the Assistant Secretary of State for Near Eastern, South Asian, and African Affairs (Rountree) to the Secretary of State¹

Washington, April 10, 1958.

SUBJECT

India-Pakistan "package" proposals

Background:

On December 16, 1957, Mr. Herter approved my memorandum to you of November 30² (copy attached as Tab C) and suggested that we proceed to discuss the pertinent proposals with the Department of Defense and develop a plan of negotiation.

When we first raised the pertinent proposals with the Department of Defense, the latter expressed concern regarding two points.³ (Tab D) The first was that our plan implied a contemplated reduction in the armed forces of Pakistan; the second that it suggested a commitment involving the use of United States forces in defense of India and Pakistan against aggression. The Department, by letter,⁴ (Tab E) explained that neither of these interpretations was correct. The Department of Defense has raised no further objections.

As a result of these discussions, further consideration of the proposals by interested officers in the Department and by our Ambassadors in Karachi and New Delhi, agreed drafts have now been prepared of the letter from the President to the President of Pakistan and the Prime Minister of India (enclosure to Tab A)⁵ and a talking paper (Tab B) for the guidance of our Ambassadors during the first or exploratory stage of the negotiations.

Discussion:

The two drafts which are herewith presented for your approval represent the first step in the proposed negotiations. The exact timing of the initiation of this step remains to be worked out in consultation with Ambassador Langley and Ambassador Bunker. According to present indications, however, we believe that it will be possible to proceed quickly with the presentation of the letters once you have approved the drafts and secured the President's agreement to the

¹ Source: Department of State, Central Files, 690D.91/4-1758. Secret. Drafted by Nicholl on April 9 and concurred in by C. Douglas Dillon in draft and S/P, W, H, IO, ICA, EUR, E, and W/MSC.

² See footnote 2, Document 8.

³ See Document 9.

⁴ Document 12.

⁵ See *infra*. The draft letters are not printed.

proposals. If this can be done by April 15, we would proceed to discuss the overall proposal with the British representatives on April 16 and 17 and transmit the letters to our Ambassador on the 18th. The exact timing of the presentation would then be left for determination by the two Embassies.

My memorandum of November 30 (Tab C) indicated that we envisage that the proposed negotiations would seek solutions to the outstanding problems now exacerbating relations between India and Pakistan. We now feel that the negotiations should properly seek to achieve agreements on arms limitation, Kashmir, and the Indus Waters. Ancillary agreements dealing with nonaggression, trade and partition problems might be expected to follow in the improved atmosphere, but we do not anticipate that they would be considered initially. Papers dealing with the various issues are being drafted and will be ready for approval by the time the approach is authorized. We envisage that the United States role in the negotiations will be to listen to the proposals of each party and attempt to assist them in arriving at an agreed formula. We feel that the United States must preserve a flexible position from the beginning and be prepared to encourage the positions which appear to have the best chance of producing agreement. Our general approach to each of the three main problems is as follows:

1. *Kashmir:*

We wish to encourage India and Pakistan to reach agreement, within a "package" framework, on any reasonable solution of the Kashmir issue. [*less than 1 line of source text not declassified*] We would hope that the principle of self determination by the people of Kashmir might prevail [*2 lines of source text not declassified*]. If partition is a mutually acceptable solution, consideration of the partition line should not be related in any way with the existing military "cease-fire line", but rather should provide a fresh approach to this dispute, divorced from its long and acrimonious history under the United Nations resolutions. Certain criteria should, in our opinion, provide the bases for such partitions: (a) regard for religious concentrations whenever possible; (b) contiguity of geographic area; (c) present district and administrative boundaries; (d) terrain and natural communications and trade routes; (e) present or potential irrigation and hydro-electric projects; (f) national security, with particular reference to the northern frontiers; and (g) control over river segments or headwaters in relation to any settlement of the Indus Waters dispute.

2. *Indus Waters:*

The United States Government hopes that settlement of the Indus Waters controversy will be based upon development of the Indus Basin as an economic entity. In accordance with this principle, development of the Indus Basin should:

1. Provide works designed and located in accordance with sound engineering principles rather than determined by political boundaries.
2. Provide works designed and located so as to obtain the maximum benefit for the Basin as a whole in return for the smallest possible financial investment.
3. Provide enough water to insure to both countries deliveries of historical uses plus reasonable amounts for future development purposes.
4. Provide for the establishment of a joint commission with some form of neutral membership for the purpose of developing the Indus Basin as a unit.

Should such a settlement be achieved, the United States should be prepared to give its full support and assistance to both countries in order to develop the Indus Basin along these lines.

3. *Arms Limitation:*

The United States desires to facilitate an arms limitation agreement between India and Pakistan. We believe that such an agreement might be effective, particularly if it flowed from the amelioration of political tensions now identified with the Kashmir and Indus Waters disputes. While the details will have to be carefully worked out, it is possible that the arms limitation agreement might, in the first instance, be based upon present force levels (which would include the light bomber squadron we are committed to furnish Pakistan, and any other absolutely necessary acquisitions to achieve appropriate balance in specific fields). There might be established a South Asian Arms Commission, possibly within the framework of the UN, to inspect compliance with the agreement. India and Pakistan could be members, along with three other countries, e.g., possibly Canada (or Australia), Burma (or Ceylon), and Sweden (or Switzerland). The Arms Commission might create inspection teams composed of a representative each for India, Pakistan and one of the other Commission countries. These teams might be allowed unrestricted travel and inspection prerogatives throughout the territories of India and Pakistan.

Recommendations:

1. That you approve the draft of the talking paper attached as (Tab B).

2. That you sign the Memorandum to the President attached as (Tab A).⁶

Tab B

TALKING PAPER⁷

1. The U.S. Ambassadors to India and Pakistan would call upon Prime Minister Nehru and President Mirza, preferably on the same day in order to avoid either government feeling slighted. They would present the President's letter. They would emphasize the President's deep personal concern and stress his desire to offer U.S. assistance to the two countries not only in working out their differences but also in helping to make effective any agreement which might be reached.

2. Both Ambassadors would base their approach on the premise that it is to the best interest of each country that agreement be reached on the unresolved political and economic issues and that this is a most serious offer the U.S. is making for the sake of peace and progress in South Asia. Although we recognize the difficulties in reaching a settlement on the issues in question, we believe no time should be lost in seeking ways toward improvement of the situation on the subcontinent.

Basic Principle Behind the "Package" Proposals

For almost ten years now the "Kashmir problem" has been before the Security Council for solution and the "Indus waters problem" before the IBRD. Neither of these problems has proved during this decade to be susceptible to solution taken independently. A basic principle, therefore, behind the presently proposed approach is to unite the Kashmir and Indus problems and to see whether, if considered together, there exists a greater opportunity to effect the necessary compromises than has existed when these two problems have been handled in more or less water-tight compartments by two separate international agencies. Dr. Graham himself in his latest report to the Security Council seems implicitly to recognize this when he refers not only to basic differences regarding Kashmir, but also to "other matters", the solution of which might contribute toward a peaceful settlement.

⁶ Dulles initialed his approval of both recommendations on the source text; under recommendation 1 he made the following handwritten comment: "subject to talks with U.K."

⁷ Secret. Drafted by Nicholl of SOA and Henry Owen of S/P on April 4.

3. The Ambassador to Pakistan would emphasize our continuing desire to maintain Pakistan as an effective military ally and our belief that Pakistan would be enabled to enhance its security and contribute to free world defense more effectively by an agreement which reduced tensions between India and Pakistan. He would assure the President that its total level of economic assistance from the United States would not be adversely affected by an arms limitation. It would be understood that Pakistan's ability to fulfill its role in the Baghdad Pact and SEATO areas would be assured. If this were possible at less expense once agreed levels are reached, resultant decreases in assistance for defense support purposes could be made good by an increase in aid for economic development during the period of the Five Year Development Plan. He would point out, however, that continued U.S. assistance—both military and economic—is dependent on Congressional approval, and that we can expect growing concern in the Congress with the effect on U.S. aid programs of the arms build-up race in the subcontinent, at least, unless a vigorous effort has been made to achieve arms agreement there.

4. The Ambassador to India would point out that, although the U.S. is now embarked on large scale assistance to that country through Eximbank, DLF and PL 480, India's continuing needs next year or thereafter, will have to be approached in light of the situation at that time. It is the intention of the U.S. Government to continue to view India's needs sympathetically, but U.S. Congressional and public opinion will necessarily to [be] a significant consideration. We believe such opinion would be favorably affected if some real progress could be made in settling the basic problems of the subcontinent.

5. If Prime Minister Nehru asks what assurance there is that the Government of Pakistan will either negotiate in good faith or be able to carry through on any commitments, the Ambassador might answer:

(a) We think Mirza trustworthy and strong enough to assure adherence to any commitments;

(b) The basic self-interest of both countries is the overwhelming motivation;

(c) In the final analysis, it takes a certain amount of faith which can be justified only if it is tried.

6. If President Mirza asks what assurance there is that the Government of India will either negotiate in good faith or be able to carry through on any commitments, the Ambassador might reply:

(a) With the Second Five Year Plan hanging in the balance, Nehru and the Congress have particularly strong reasons now for wanting to cut defense expenditures, which they will do only when Indo-Pakistan differences are settled;

(b) It is worth keeping in mind that Nehru is not a young man and that he is likely to give the Pakistanis a fairer deal than any successor;

(c) We believe both countries have strong enough motivation and sufficiently trustworthy leaders, so that they are justified in acting partially on faith that the other side also will negotiate in good faith.

7. Both Ambassadors should stress that the President does not now expect answers to his letter concerning the substance of the issues involved. He merely wants to know whether the Prime Minister and the President believe that it would be useful for further negotiations to take place. Details of time, place and method for such talks would be settled in accordance with their wishes on the basis of convenience, maintenance of security and the identity of the negotiators. The Ambassadors should indicate that negotiations could be held in Karachi and New Delhi or in any other mutually agreeable place such as New York, Geneva, or Tokyo.

8. Both Ambassadors would refer to the outstanding issues between the two countries: Level of arms, Kashmir, canal and river waters, and partition financial problems, including the problem of refugees. They would suggest that these issues might be tackled either in a package or in two stage approach which would consist of initial agreement on one of these issues (for example, arms limitation) followed by negotiations concerning the other issues in the less tense atmosphere that might result. It was for the President and the Prime Minister to indicate how they wished to proceed. The Ambassador would listen to the views of the President and the Prime Minister about the issues in dispute, the prospects for their resolution, and the best methods of approaching that resolution.

9. The Ambassador would state that the United States would be prepared to cooperate in bringing about the settlement by (1) supporting an IBRD loan for the Indus Waters settlement; (2) reiterating publicly our pledge under the UN Charter to come to the assistance of either country in the event of aggression; (3) being prepared to consider any further action they might think would help to guarantee the settlement.

For Embassy's Information:

10. If the initial reactions were favorable, the Ambassadors would begin immediately to work out the details of procedure for the stage of formal negotiations. If Dr. Eisenhower's visit to the area is desired, it would be very useful for it to take place shortly after the initial soundings by the Ambassadors. It could give effective impetus to the negotiations by stressing to the two Prime Ministers the importance which the President attaches to their success.

11. The negotiations should be carefully planned by the three governments, and might take place outside the subcontinent if that seemed more desirable to all parties. There should also be agreement on the method to be used, e.g., should the U.S. representative deal

only with one government initially, then go to the other government and back and forth as negotiations proceed, or should representatives of the three governments sit together from the beginning?

12. The British Government will be informed of our plans shortly before the first approach is made. We would indicate that we would welcome their participation and their help in financing, if possible, the settlement. The IBRD should also be informed of those aspects of the proposals which bear on the Indus Waters.

27. Memorandum From the Secretary of State to the President¹

Washington, April 17, 1958.

SUBJECT

Proposal for Settlement of India–Pakistan Differences

For many years, indeed ever since the partition of the Indian subcontinent, the Government of the United States has been concerned with the serious disputes which have plagued relations between India and Pakistan. For almost a decade now, two basic issues have proved insoluble by those who have attempted to resolve them: Kashmir by the Security Council and the Indus Waters by the International Bank for Reconstruction and Development. The mutual distrust and fear which these have nurtured over the years have more recently helped generate in each country a compulsion to build up its military posture against the other. This is in turn precluding both countries from devoting the maximum amount possible of their resources to badly needed economic development.

In view of the large population, important resources, and strategic location of India and Pakistan, our national interest demands that they be as politically stable and as economically prosperous as possible. Past and particularly current trends endanger this objective. It, therefore, seems to me necessary to try a new approach toward solving the basic differences which separate India and Pakistan. The essence of this would be to consider the Indus, Kashmir and arms questions as closely related so that a wider field for compromise will exist.

This approach, I am convinced, could best be initiated by a personal appeal from you to the leaders of both countries. In this we would, in strict secrecy and without prejudice to our present position if

¹ Source: Department of State, Central Files, 690D.91/4–1758. Secret

the new approach were unsuccessful, offer our good offices to assist them to reach agreement on all three questions. Procedurally, the negotiations might follow the lines of the Trieste ones.

To illustrate to you how we would initiate this new approach we have prepared a draft letter from you to the President of Pakistan and the Prime Minister of India.²

If you approve of this general approach, we would then discuss it with the U.K. before actually acting, as they may want to be in on the “good offices”—as in the case of Trieste and Tunisia.³

JFD

² Attached to the source text but not printed.

³ In a memorandum to Dulles of April 21, Eisenhower replied as follows:

“I have your memorandum of April seventeenth, containing a proposal looking toward the settlement of the India–Pakistan differences. I am all for the approach you indicate, to be undertaken in the utmost secrecy. In fact, if there should ever be realized sufficient progress in negotiations to warrant the hope that a personal gesture might help assure success, there is no inconvenience at which I would balk. For example, I’d be ready to welcome and entertain the Prime Ministers simultaneously—I would even go out there.” (Department of State, Central Files, 690D.91/4–2158)

28. Telegram From the Department of State to the Embassy in India¹

Washington, April 22, 1958—6:23 p.m.

2485. US–UK talks, April 16–18, reflected large measure agreement in assessment and approaches to Indo-Pak problems. Summary minutes being pouched.² Highlights included:

1. *Orientation.* While noting British concern at rising strength internal Communism in India and complacency Congress party, James³ said British encouraged by recent trend favorable to West in Indian foreign policy. In Pakistan, Noon’s March speech symptom of growing frustration. However, since Soviets will continue to cater to India as primary target, British doubt any major shift in Pak orientation. Brits believe Paks will continue as “grumbling allies”.

¹ Source: Department of State, Central Files, 690D.91/4–2258. Secret. Drafted by Meyer and approved by Rountree. Also sent to Karachi and London.

² Minutes of the talks are *ibid.*, SOA Files: Lot 62 D 43, Package. Briefing materials for the talks are *ibid.*, Proposed U.S.–U.K. Talks.

³ J.M.C. (Morrice) James, Assistant to the Permanent Under Secretary of State in the Commonwealth Relations Office and head of the British delegation during the discussions.

2. *Package Approach.* Referring to constructive remarks by Amjad Ali and Krishnamachari last fall, Rountree outlined US belief that Indo-Pak problems not likely be solved as isolated issues but should be approached in integrated fashion. He indicated USG has no preconceived solutions for elements such package program but we had been considering general principles. On final day of talks, Rountree suggested we might have further observations concerning package approach by time James completes Ottawa visit. Rountree indicated Department would try let James know April 24 whether Washington stopover on his return to London might be useful.⁴ (Package proposal now at White House for clearance.)

3. *Kashmir.* Consensus was Security Council debate would merely exacerbate tensions, not bring Kashmir issue closer to solution, tend diminish prestige of Security Council and weaken UNCIP resolutions as main protection for Pak position. If Security Council action unavoidable, most desirable form of action was deemed to be promotion by Council of bilateral negotiations between two parties outside UN. If possible, this should be accomplished without formal debate or passage of resolution. It should not, however, prejudice further Security Council consideration this question.

4. *Canal Waters.* Continuing support for IBRD efforts was agreed. While numerous technical aspects Bank plan still obscure, Nehru tunnel plan favorably mentioned because it appears be less costly and more feasible from engineering standpoint. Solution reached should include built-in safe-guards such as water treaty incorporating some type commission with neutral participation to operate on spot and take remedial action expeditiously. British, like US, believe Paks should be discouraged from raising issue at Security Council. It was noted that both Kashmir and canal waters issues were so closely related that perhaps they might most realistically be considered as a single complex.

5. *Arms Limitation.* While agreeing arms limitation desirable, British believed it unwise for Brits or Americans seek actively encourage such limitation on grounds Indians and Paks would bitterly resent such action as undue interference. Brits believed only available course is present policy of discouraging on ad hoc basis such moves as Pak procurement of subs. British agreed, however, that, if Kashmir and Indus questions resolved, sufficient mutual confidence might result to permit agreement on some arms limitation scheme.

6. *Bombers.* British clearly ready sell Canberras to Paks on terms identical those applied to India. Would be commercial deal with English Electric but would include UKG export guarantee. Current negotiations involve 42 Canberras, 30 of which operational, others training

⁴ See *infra*.

and reconnaissance. Delivery would begin in late 1959 or early 1960 (only slightly earlier than deliveries contemplated under 1954 light bomber commitment). James outlined UK policy of selling arms to Commonwealth countries impartially and virtually on unrestricted basis. He insisted Canberra deal with GOP would be on commercial basis and credit terms would be those extended by English Electric. UKG he said under no circumstances would provide financing either grant or loan. Both UK and US conferees surmised Amjad and Ayub will utilize forthcoming visits London and Washington to generate pressure for early bomber delivery under most favorable terms.

FYI—"Package deal" as such mentioned only hypothetically and in most general terms. Should not be discussed with your British colleagues prior Department authorization.⁵

Herter

⁵ In telegram 2553 to New Delhi (also sent to Karachi), May 1, the Department reported that British Embassy representatives had conveyed to Rountree their government's formal endorsement of the proposed package proposal and left with the Department a message from the Foreign Office which contained "several constructive suggestions." The Department authorized the Embassies in New Delhi and Karachi to consult with their British colleagues on a continuing basis regarding the package project. (Department of State, Central Files, 611.90/5-158)

29. Memorandum of a Conversation, Department of State, Washington, April 25, 1958¹

SUBJECT

Proposals for Reduction of Tension Between India and Pakistan

PARTICIPANTS

Mr. J.M.C. James, Assistant Under-Secretary of State for Foreign Affairs and Defense, Commonwealth Relations Office

Mr. R.W. Jackling, Counselor and Head of Chancery, British Embassy

Mr. J.R.A. Bottomley, First Secretary, British Embassy

Mr. William M. Rountree, NEA

Mr. Frederic P. Bartlett, SOA

Mr. Benjamin A. Fleck, SOA

¹ Source: Department of State, Central Files, 690D.91/4-2558. Secret. Drafted by Fleck on April 29.

Mr. Rountree opened the discussion by expressing his appreciation for Mr. James' courtesy in returning to Washington following his visit to Ottawa.

Mr. Rountree stated that developments during the past ten years had clearly shown the difficulties standing in the way of solving separately the various issues which have embittered Indo-Pakistan relations. He said that we believe solutions to these problems might be found if they were considered together rather than separately, because in this way considerably greater flexibility of negotiation might be possible. Mr. Rountree said that we believe each party would welcome an improvement in its relations with the other, provided such an improvement could be brought about by a settlement of their outstanding problems that would be politically acceptable in each country.

Mr. Rountree stated that the United States Government was ready to proceed with an operation designed to facilitate the settlement of the major problems embittering relations between India and Pakistan. He said that we wished to consult with Her Majesty's Government before proceeding with this operation but impressed upon Mr. James the need for utmost secrecy. He said that since the operation might be a protracted one, premature disclosure of it in the press or to unauthorized persons would endanger the chances of its success. Therefore, he hoped that the British Government could agree to treat the matter as one of the highest sensitivity and limit knowledge of it on a "need-to-know" basis.

Mr. James expressed his great appreciation to Mr. Rountree for the latter's willingness to discuss the operation with British representatives and agreed to treat the matter on a "need-to-know" basis. He inquired whom this should include. Mr. Rountree replied that Mr. James could probably decide who in the British Government should know about the operation after he had heard more about it. Mr. James agreed.

Mr. Rountree then outlined to the British representatives the main elements in our "package proposal". These included the basic principles on which solution of the three principal problems—Kashmir, Indus waters, and arms limitation—should be predicated. Mr. Rountree said it was planned to send letters from President Eisenhower to President Mirza of Pakistan and Prime Minister Nehru of India and indicated the main points to be included in each letter. As a next step, he added, and provided the initial reaction to the letters was favorable, considerable thought had been given to the desirability of sending out a distinguished American citizen, not a Foreign Service Officer or civil servant, who, acting as a special emissary of the President, would attempt to encourage the initiation of negotiations between the two parties on the three major problems.

Mr. Rountree said that he had been unable to discuss this proposal with Mr. James during the latter's visit to Washington the previous week because it had then been under consideration by the President, who had now endorsed it and asked that it be discussed with the British Government. Mr. Rountree said we would welcome any comments which the British Government cared to make. We would also welcome British participation in the financing of whatever settlement might emerge. He said that we planned to consult with the International Bank at a later date, concerning the financing of a settlement of the Indus waters question.

At the close of his presentation of the proposed plan of action, Mr. Rountree again indicated our concern that the negotiations should not become public knowledge until successfully concluded.

Mr. James expressed his gratitude for the confidence which the United States Government had indicated in his government by informing him in advance of this proposed plan of action. He stated that his remarks would be only his own personal reactions to the plan and would be subject to correction by his superiors. He thought, however, that the Secretary of State for Commonwealth Relations and the Prime Minister would be very appreciative and he indicated that their thinking in regard to these problems was very close to that of the United States Government as revealed in the plan outlined by Mr. Rountree.

Mr. James said he thought the plan constituted a broad, generous, imaginative, hopeful approach. He believed that the year 1958 was a very appropriate time in which to try this approach to the problem of achieving a settlement of Indo-Pakistan differences. He could see the possibility of tremendous difficulties but, in spite of those difficulties, the U.K. would give one hundred percent support to the United States in this undertaking. He said he thought the proposal steered between the twin dangers of being too broad in scope and, on the other hand, of being too detailed. He said he had great hope that this operation would have the psychological merit of turning the thinking of the leaders of India and Pakistan into more constructive channels. He feared, however, that the present mood in Pakistan was one of sullen resignation which did not bode well for the future.

In regard to current feeling in Pakistan, Mr. James continued, he thought Mr. Rountree would be interested to learn that Prime Minister Macmillan had received a reply from Prime Minister Noon to Mr. Macmillan's earlier message counselling moderation in reacting to the report of Dr. Graham to the Security Council. Mr. James read portions of Mr. Noon's reply. Mr. Noon indicated that he believed it was now up to the Security Council to take further action in support of Pakistan's position in regard to Kashmir. Mr. Noon stated that Pakistan will continue to insist on demilitarization and a plebiscite. Mr. Noon

added that he was sure Mr. Macmillan was aware that the Government of Pakistan had done all it could to prevent the exacerbation of tensions between Pakistan and India.

Mr. James said that another disquieting indication of current Pakistani unhappiness was the tenor of remarks made by the Pakistan High Commissioner in Ottawa² during the course of a call at the Canadian Ministry of External Affairs on April 24. Mr. James said that the High Commissioner had delivered a tirade against the U.S., the U.K., and the U.N., in which he had said that since the U.S. and the U.K. had been unable to secure justice for Pakistan, the policy followed by the Government of Pakistan in adhering to Western-sponsored pacts could be presumed to be dead. The High Commissioner had gone on to say, according to Mr. James, that the Canadians should have personal knowledge of British perfidy, since the British had failed to support Canada in its quarrels with the United States over Maine and Alaska. Mr. James said the Canadians were inclined not to take these remarks very seriously.

Mr. Rountree remarked that the matters mentioned by Mr. James were serious because they reflected the intensity of the frustration felt by Pakistan's leaders at the present time.

Mr. James said that while he fully agreed that we should go ahead with our proposed operation, he wished to point out what he considered to be the basic difficulty confronting us. This was, he said, the fact that any negotiations which took place between India and Pakistan would not be negotiations between equals. Pakistan was the weaker party and, in order to achieve a settlement, he believed that some outside force would have to be introduced to counterbalance India's strength. Mr. James said that any realistic appraisal of the situation would recognize that in the case of Kashmir, India is in possession; in the case of the Indus waters, India controls the headwaters; and in regard to armament, industrial capabilities, and related subjects, India was by far the stronger power. Mr. James said it was impossible to redraw the map to redistribute the population or resources of the sub-continent between the two countries. He said it was not in our power to modify the present balance of power between the two countries. Because of all of these factors, Pakistan was the weaker party and, therefore, in the opinion of Mr. James, it would be a great deal more difficult to persuade the Pakistanis to enter into negotiations than the Indians.

Mr. Rountree remarked that we agreed with Mr. James' analysis of the situation. Nevertheless, there had been hopeful signs recently that the Pakistanis are becoming more and more concerned over the situation and, as a result, might be more willing to enter into negotia-

² M.O.A. Baig.

tions. Mr. Bartlett added that in our view it would be more difficult to persuade the Indians to enter into negotiations initially, but it might then be more difficult to persuade the Pakistanis to compromise once the negotiations began. It was quite conceivable, Mr. Bartlett continued, that Mr. Nehru would refuse to enter into negotiations until after the Pakistan elections had been held, on the grounds that the post-election Pakistan government would be more stable than the present one. Mr. Rountree reiterated our belief that the Pakistanis will accept negotiations and that our chief initial difficulty will lie in persuading Mr. Nehru to negotiate.

Mr. Bottomley inquired whether we anticipated any difficulty with Prime Minister Noon over making our approach to President Mirza instead of to him. Mr. Rountree replied that we had given a great deal of thought to this matter and had decided that our best chance of success lay in making our approach to the most stable elements in Pakistan. Mr. Bartlett added that we identified those elements as being led by President Mirza, General Ayub, and Finance Minister Amjad Ali. As soon as the initial approach had been made to President Mirza, Mr. Bartlett continued, we planned to inform Mr. Noon. Mr. James said he realized that the position of the President of the United States as head of state and head of government enabled him to address either the head of state or head of government of a foreign state as the occasion demanded. Mr. James agreed that an approach to President Mirza was logical.

Mr. Bottomley inquired about the mechanics of introducing British participation, at a later date, if such participation seemed desirable. Mr. Rountree replied that we would inform India and Pakistan that we were acting following consultation with our British colleagues and that this would permit the British to participate whenever it appeared desirable for them to do so.

Mr. Bottomley inquired whether we anticipated participation by the Canadians or other governments. Mr. Rountree replied that we did not, for we did not wish Prime Minister Nehru to feel that we were pressuring him or "ganging up" on him in any way. Mr. James remarked that the Canadians had previously indicated that they did not feel themselves to be in a position to participate in negotiations between India and Pakistan. He added that they were very reluctant to become involved in these matters. Mr. James indicated that he did not think either Australia or New Zealand would be in a position to participate. He agreed with Mr. Rountree that participation should be limited to the U.S. and U.K.

In regard to British participation, Mr. James said that High Commissioner MacDonald in New Delhi could decide in what manner he best could help. Mr. James thought that a letter from Prime Minister Macmillan to Mr. Nehru might be helpful, under certain circumstances.

Mr. James asked whether he was correct in interpreting Mr. Rountree's remarks to mean that we did not envision any sort of cutoff on sales of military equipment to the Government of India. Mr. Rountree replied that this interpretation was correct. He referred to frequent Indian protests that the United States, through its military aid to Pakistan, was forcing the Government of India to spend large sums on the purchase of military equipment. We hoped that during the course of the proposed negotiations it would become apparent that some form of arms limitation, agreeable to both parties, was feasible and obtainable. The Indians would then either have to agree to the limitation or, by continuing their heavy purchases, admit that these purchases were not forced on them by our military aid to Pakistan.

Mr. James asked about our plans for the timing of the proposed approaches to the two governments. Mr. Rountree replied that we intend to proceed immediately, but that we wished to have the benefit of prior consultation with our British colleagues. The sooner the operation was carried out, the better, in view of the desire to avoid premature disclosure.

Mr. Rountree again referred to the need for utmost secrecy. He said that methods of communication had been worked out previously between our two governments in regard to other highly sensitive matters and he believed the same technique could be applied to this operation. Mr. James agreed. Mr. Rountree said that our Ambassadors in Karachi and New Delhi had been informed and that only a handful of people in the U.S. government knew about the proposal. He believed that the British might wish to inform their High Commissioners in the two capitals and also discuss the matter with members of the Imperial Staff. Mr. James replied that he believed that the Prime Minister, the Foreign Secretary, the Defense Minister, and one or two top civil servants in the appropriate ministries would be the only British officials who would need to know about the operation.

Mr. James said that immediately upon his return to London he would explain our proposal to his Minister who would inform the Prime Minister. Mr. James believed that he would be able to inform us of the official British reactions to our proposal by the middle or end of the following week.³

³ See Document 33.

**30. Memorandum of a Conversation, Department of State,
Washington, April 30, 1958¹**

SUBJECT

Indo-Pakistan Relations

PARTICIPANTS

The Secretary

Mr. Syed Amjad Ali, Minister of Finance, Government of Pakistan

General Mohammed Ayub, Commander-in-Chief, Pakistan Army

Mr. Mohammad Ali, Ambassador of Pakistan

Mr. William M. Rountree, NEA

Mr. Frederic P. Bartlett, SOA

Upon the request of the Pakistan Embassy, arrangements were made for the Finance Minister to call upon the Secretary.²

Mr. Amjad Ali opened the discussion by stating that, while military representatives of the Pakistan Government were discussing with the Department of Defense questions relating directly to the Pakistan armed forces, he appreciated this opportunity to review with the Secretary general political developments in Pakistan. Speaking broadly, the Finance Minister said, a state of nervousness prevailed throughout Pakistan. It largely flowed from the defense build-up of India, which latter country was purchasing a large number of planes and so forth from outside sources. This state of nervousness was also coupled with India's recently renewed threat to divert the flow of certain Indus waters from Pakistan to India if Pakistan had not provided water from alternative sources by 1962. This India could physically do since the control works involved were in India or Indian-held territory. This threat had been only reinforced by India's commencing to build the large Rajasthan canal. Thus the feeling was growing in Pakistan that India's substantial purchases of military equipment were really designed to permit India's eventually being in a position to "throttle" Pakistan with impunity.

Some Pakistanis believed that the Government of India actually had overt military aggression in mind, but personally the Finance Minister did not agree with this view. In his opinion, the Government of India would not need to resort to aggressive military action against Pakistan since it was already in occupation of a substantial part of

¹ Source: Department of State, Central Files, 690D.91/4-3058. Confidential. Drafted by Bartlett. Dulles and Amjad Ali also discussed India's military objectives; see *infra*.

² Amjad Ali and several Pakistani military representatives were in the United States on an official visit for the purpose of discussing additional U.S. financial and military assistance to Pakistan. For additional documentation on their visit, see Documents 307-309. Rountree briefed Dulles for this meeting in a memorandum of April 29. (Department of State, Central Files, 033.90D11/4-2958)

Kashmir and actually controlled the physical facilities required to divert a substantial part of the irrigation waters away from Pakistan. In other words, if India in fact carried out its threat to divert these irrigation waters to its own uses, it could so cripple Pakistan that India would not in practice have to resort to open war.

An indication of India's concentration upon this issue was, Mr. Amjad Ali felt, provided recently by India's strong protest against Pakistan's use of United States and United Kingdom engineers to create a three to four million acre feet storage area in Mangla on the Chenab River. At this point Mr. Rountree explained that the American Embassy in New Delhi had, under Department instructions, already informed the Government of India that it considered the Government of India's protest unjustified, noting that the question involved relations between the Government of Pakistan and private American engineers.³ Mr. Rountree also noted that the Mangla situation is essentially a territorial rather than a waters question, the Indian objection being based on its contention that legally all of Kashmir was an integral part of India and that, therefore, the Mangla dam, which was being constructed in the Pakistan-held part of Kashmir, was technically being constructed on Indian territory.

The Finance Minister then continued with his survey of general Indo-Pakistan relations. He pointed out that during the last debate in Parliament, opposition leaders had expressed their strong concern regarding: (1) India's arms build-up, (2) India's open disregard of Pakistan's legal rights as evidenced in the Government of India's position on Indus waters, and (3) the fact that Pakistan's allies were actually doing little to help Pakistan maintain its position in the face of Indian intransigence. Rather, these opposition leaders maintained, Pakistan's allies were assisting the Government of India by granting economic aid to that country, which in turn permitted India to use its own resources to buy arms from abroad. Prime Minister Noon, Mr. Amjad Ali stated, had felt it necessary to reply to these critics, but had, unfortunately, done so "off the cuff". "I would be failing in my duty, however," the Finance Minister continued, "if I didn't bring these to your attention."

In the Finance Minister's opinion, it was very unfortunate that it was the British who were selling these arms to India. In this connection, he noted that the Government of Pakistan had originally trusted the British implicitly. For instance, the Government had given them *carte blanche* to build the ordnance factory at Wah. What had the result been? Pakistan had already spent the equivalent of seventy million dollars on this project and to date it had only produced "a few rifles", each costing about five times the amount which Pakistan

³ Documentation is *ibid.*, 890D.2614.

would have had to spend to procure these same rifles on the open market. Furthermore, Amjad Ali had now been told by his British advisers that the factory for explosives, which had been planned as part of the Wah complex, would not be ready for another two years. When he had recently been in London, Mr. Amjad Ali explained, he had under these circumstances been forced to inform the British that Pakistan would have to get assistance from other sources in order to expedite the work at Wah. Ambassador Mohammed Ali interjected at this point that the Government of Pakistan had first started discussing United States technical assistance for the Wah complex back in 1955. Mr. Amjad Ali said that he was aware of this. It was his understanding that at present an ICA team was being formed to see if Wah's surplus capacity could be used for the manufacture of spare parts or other articles which might have the effect of reducing Pakistan's import requirements.

Returning once again to his main theme, Mr. Amjad Ali stated that the Government of Pakistan had consistently and sincerely tried to be a good and true friend of the West in time of need. This was amply demonstrated, he believed, during the Suez crisis when Pakistan staunchly supported the British in spite of strong public sentiment against this course within Pakistan. The Pakistan Government had wanted, however, to save the Baghdad Pact, which it considered and considers to have great importance, not only for the four Muslim countries directly associated with it, but for the area generally. It was, in Mr. Amjad Ali's mind, a kind of umbrella sheltering these countries from hostile elements threatening from the north. In addition, it actually also protects the Arab States, though the latter, if they do realize it, don't appreciate it.

Mr. Amjad Ali said that he had seen this situation, the Indian arms build-up, developing when he was in Washington last September. At that time he had talked with Mr. Rountree regarding it.⁴ He had said that Pakistan did not wish to stand in the way of aid to India, but Pakistan believed that such economic aid could best be utilized if the Governments of India and Pakistan could first iron out the differences existing between them. At that time Mr. Rountree had replied, according to Mr. Amjad Ali, that the United States Government could not place itself in a position which would open it to the accusation that it was attaching strings to its aid. Mr. Amjad Ali had replied to Mr. Rountree at that time that Pakistan was not suggesting that the Government of India abandon its position of "neutrality". Actually, Mr. Amjad Ali stated, he had argued that the United States Government was trying to help both the Governments of India and Pakistan, so

⁴ Amjad Ali met with Rountree on September 28, 1957. Their conversation is summarized in telegram 845 to Karachi, October 3. (*Ibid.*, 791.5-MSP/10-357)

that they might be strong enough to prevent communist penetration. This last objective, Mr. Amjad Ali had noted, would be defeated if the basic tensions existing between Pakistan and India were allowed to deepen. For example, if the Indus waters were diverted, there could be no alternative to disastrous war. The Finance Minister concluded that he could not emphasize too strongly the immense advantages which would come to both Pakistan and India if their differences could be resolved.

Even though it was sometimes difficult to talk to Nehru, Mr. Amjad Ali said, he had had a long discussion with the Indian Prime Minister last January. Mr. Amjad Ali had told Nehru that the ten years of tension which had existed between India and Pakistan had been completely unhelpful to either. He had further told Nehru that in his opinion there could be no real solution to the Indus waters issue unless the Kashmir issue were also resolved, since it was only through an agreed solution to Kashmir that the development of the entire Indus river basin on a businesslike basis would be practicable. Given good will on both sides, Mr. Amjad Ali had said to the Indian Prime Minister, the Kashmir problem was not insoluble. More difficult problems between countries had been peacefully settled over a period of time in the past. Mr. Nehru, according to Mr. Amjad Ali, had listened to the latter politely, but indicated no reaction whatsoever to what the Finance Minister had said.

Mr. Amjad Ali concluded his presentation by stating that it was the Government of Pakistan's intention to take the Rajasthan canal issue to the Security Council. It would do this, however, without divesting the IBRD of its jurisdiction over it. Pakistan's public purpose would be to attempt to persuade the Security Council that it should request India to desist from diverting any of Pakistan's historical uses of water until alternative arrangements were actually available. Pakistan, however, wanted basically to put on public record its disapproval of India's threatened action, so that India could not later allege that Pakistan had ignored India's warnings and had thereby given tacit approval to India's plans.

The Secretary complimented the Finance Minister for his good presentation, agreeing with Mr. Amjad Ali that it did not seem at all probable that India would resort to any overt military aggression. The Secretary continued that he was aware of India's arms build-up, but believed that India's real reasons for it were at least partially associated with Red China. Actually, although India consistently and publicly alleged that it was strengthening its military position for the sole reason of countering that of Pakistan, this was so incorrect that it simply did not constitute a valid explanation. For example, Mr. Aneurin Bevan had apparently been convinced by Mr. Nehru that India was being forced to purchase bombers from the United Kingdom

because the United States had furnished bombers to Pakistan. The Secretary said he had attempted to disabuse Mr. Bevan of his misinformation when Mr. Bevan called upon him some time ago, but was not sure whether he had succeeded.⁵

The Secretary continued that, although there was always, given the degree of tension existing between the two countries, a danger of some flare-up, he did not believe that the latter would be the result of any planned aggression upon the part of India. On the other hand, in view of Pakistan's heavy dependence upon waters whose sources were under the control of India, he was not entirely surprised by the state of nervousness which Mr. Amjad Ali had indicated was prevailing in Pakistan. Mr. Rountree at this point noted that in fact the Governments of Pakistan and India had been discussing these basic waters problems for a long time with the IBRD and that these talks were presently going on in Rome. Mr. Rountree said that he had suggested to Mr. Amjad Ali yesterday that it might be prudent to await the results of the Rome talks before seeking any action in the Security Council and that all alternatives be thoroughly studied prior to such action.⁶ He realized, however, that the ultimate decision regarding Security Council action was the responsibility of the Government of Pakistan, to be taken in the light of the circumstances existing at the time.

The Secretary stated that it should be possible to bring the Indus waters issue to the Security Council in such a fashion as not to be incompatible with continuing IBRD interest in the problem, particularly if the principal purpose of the Government of Pakistan were to place the Indus issue and its reaction to India's publicized plans connected therewith on the public record. Mr. Amjad Ali commented in this connection that, since so many nations faced similar riparian rights problems, airing the issue in the Security Council might enlist international support which could be helpful to the IBRD in persuading the Government of India to take a reasonable attitude toward the resolution of the problem. To this the Secretary agreed, noting in particular the situation which Egypt faced in connection with the countries and territories controlling the upper reaches of the Nile. Ambassador Mohammed Ali believed the United States had also had some problems in relation to Canada along the same lines.

The Secretary concluded the interview by saying that he was impressed at what the Pakistan representatives had said about the basic differences between Pakistan and India. Their comments had not fallen on barren ground. There should be no feeling on the part of

⁵ See footnote 3, Document 10.

⁶ A memorandum of that conversation, drafted by Rufus Burr Smith, is in Department of State, Central Files, 690D.91322/4-2958.

well-informed Pakistanis that the United States was not friendly and loyal to Pakistan. [5 lines of source text not declassified] The Secretary recalled that in Manila he had told the Pakistan representative that what the United States did for India hurt the United States more than it hurt Pakistan, for after all, it was United States funds which were being spent for economic aid to India. [1½ lines of source text not declassified] it was necessary for the United States to look at the whole picture and to take into consideration the welfare of the entire free world. The United States does not like to give aid to neutrals, but actually it is forced to do so and it is in the interest of Pakistan itself that the United States do so. The Secretary did not wish to imply that the United States was always right, but he did believe that what this country was doing in India was needed to prevent India from going the way of China. [4 lines of source text not declassified]

In reply, the Finance Minister remarked that India should, in its own interest, use American aid for economic development rather than, at least indirectly, for military purchases. He said he hoped to see Senators Cooper and Kennedy, as well as other leaders in Washington, about this matter.

General Ayub's final remark was that: "We are pegged to you; India is not pegged to any Pact. She is a free-wheeler and under no compulsion to reduce tension in our part of the world."⁷

⁷ The Department summarized this conversation in telegram 2797 to Karachi, May 6. (*Ibid.*, 690D.91/5-658)

31. Memorandum of a Conversation, Department of State, Washington, April 30, 1958¹

SUBJECT

India's Military Objectives

PARTICIPANTS

The Secretary
 Mr. Syed Amjad Ali, Minister of Finance, Government of Pakistan
 General Mohammed Ayub, Commander-in-Chief, Pakistan Army
 Mr. Mohammed Ali, Ambassador of Pakistan
 Mr. William M. Rountree, NEA
 Mr. Frederic P. Bartlett, SOA

¹ Source: Department of State, Central Files, 791.5/4-3058. Confidential. Drafted by Bartlett.

In an hour's discussion with the Secretary devoted for the most part to a general review of Indo-Pakistan relations, the Pakistan representatives raised in some detail the question of India's basic military objectives.

General Ayub opened this part of the conversation by stating that Pakistan's best intelligence estimate was that the Government of India's military strength approximated three times that of Pakistan and that India must be aware of this since possibly we had informed India of the extent of our aid to Pakistan. Both the Secretary and Mr. Rountree corrected the latter part of the General's statement, explaining that we had been most careful not to divulge to any third party the details of our military arrangements with Pakistan. It was probable, the Secretary said, that India knew in general terms, however, the total number of divisions with which the American military aid program had concerned itself.

General Ayub then continued that Pakistan intelligence saw the position as follows. India appeared determined to disregard the Security Council's resolutions in connection with Kashmir. This might eventually force the Government of Pakistan to take some overt action against India and thereby give India an excuse before the world to take counter action. General Ayub also noted that, although the Government of India had agreed in principle to the early proposals of the IBRD for the partition of the Indus waters, India had been forced to abandon its initial position when it became clear that the total cost of the Bank's plan might approximate 1.2 billion dollars. Now they are asking for United States aid and are "crying wolf", maintaining that if they do not get aid, India may go communist. Actually, General Ayub continued, India's basic intention is not to attack, but to be in a position to intimidate Pakistan and to break its will.

It had been mentioned, General Ayub noted, that the Government of India's arms build-up might be in part attributable to its desire to strengthen its position against Red China, but Pakistan's military maps showed that all the main concentrations of Indian forces and facilities were directed toward the West and not toward the East, from which latter direction alone would it be feasible for Red China to approach India. General Ayub was surprised that American intelligence had not disclosed these facts.

In reply, Mr. Rountree pointed out that these facts were well known to the United States, but that by themselves the disposition of India's forces could neither prove nor disprove the intent for which these forces were being built up. Even if there were no Pakistan, the Government of India, in common prudence, would wish to maintain reasonable defense forces in the face of its greatest potential rival. India, for instance, actually must know Pakistan's position regarding bombers. Mr. Rountree, therefore, believed that the Government of

India would not be spending the large sums of money which it was now spending on bombers, and for that matter on its Navy too, just against a potential Pakistan threat. On the other hand, it might be logical for India to allege that Pakistan's military build-up was the principal reason for its own in order to excuse this evident departure from India's publicized position in international relations. Since the United States was assisting Pakistan militarily, India might also logically use this fact as an excuse for its own arms build-up in an attempt to make the United States feel responsible for giving counter-balancing economic aid to India. Mr. Rountree concluded that this was, of course, speculation on his part since it was impossible to accurately determine India's real motives.

In reply, the Finance Minister stated that, even if India's real concern was to protect itself from Red China, it could only achieve this by first resolving its differences with Pakistan. General Ayub added that the Pakistanis knew the Hindus and particularly the Brahmins, who ruled India, and that the Pakistanis believed that what they were saying regarding India's intentions was really the truth.

The Secretary noted that there was really no inconsistency between the two approaches to India's arms build-up. A strong military establishment in India could serve both purposes. He recalled that General Ayub himself had said that the Government of India was not planning any overt attack against Pakistan, but is attempting to put itself in a position of strength from where it could intimidate Pakistan. India's motivations could, therefore, be mixed.

32. Memorandum of a Conversation Between the Assistant Secretary of State for Near Eastern, South Asian, and African Affairs (Rountree) and the Indian Ambassador (Mehta), Department of State, Washington, May 1, 1958¹

SUBJECT

Military Aid to Pakistan

During the course of his farewell call, Ambassador Mehta said that he wished to take the opportunity of expressing his personal opinion to Mr. Rountree concerning one aspect of Indo-U.S. relations which was of great concern to him, namely the effect upon those

¹ Source: Department of State, Central Files, 790D.5–MSP/5–158. Confidential. Drafted by Fleck.

relations of continued U.S. military aid to Pakistan. The Ambassador emphasized that he was speaking on behalf of no one and was expressing only his own personal opinion.

Ambassador Mehta said that no intelligent Indian questioned the motives of the United States in extending military aid to Pakistan. Mr. Rountree commented that he believed there was now in India more understanding of the reason why we were giving this assistance to Pakistan than there had been previously. The Ambassador agreed, but went on to say that a great many Indians, including himself, did question the motives of Pakistan in accepting the aid. He said it was obvious that Pakistan accepted the aid not to counter Communism but to build up its military capacity vis-à-vis India. He said that he would favor the extension by the United States of economic aid to Pakistan and that if only the dreadful arms race between India and Pakistan could be halted, the two countries, working together, could accomplish a great deal in the economic development of the subcontinent.

Mr. Rountree replied that differences with India concerning our military aid to Pakistan, as the Ambassador well knew, arose from a fundamental policy disagreement between India and the United States over the desirability of maintaining collective security arrangements, in connection with which we assisted Pakistan. The United States was firmly convinced of the desirability of maintaining such arrangements.

In regard to Pakistan's motivation in accepting our aid, and the fear expressed by some that Pakistan had aggressive ideas as against India, Mr. Rountree stated that the Ambassador was of course aware that India was a much stronger country than Pakistan. India maintained military forces considerably larger than those of Pakistan, a navy of greater size, and a larger air force, which possessed bombers, in contrast to the Pakistan air force.

At this point, the Ambassador interrupted Mr. Rountree to say that he had been greatly gratified, upon his return from his latest visit to India, to be told by the Secretary and the Under Secretary that the United States had not given any bombers to Pakistan. He had also been very pleased, he said, that the Secretary had repeated this to Dr. Radhakrishnan during the Indian Vice President's recent visit to Washington.² In fact, continued the Ambassador, he had been indiscreet enough to "leak" to the press portions of the Secretary's remarks to Dr. Radhakrishnan.

Mr. Rountree expressed the view that in the light of the military and economic superiority of India to Pakistan, it appeared illogical for the Indians to fear Pakistan. He observed that while the Indians com-

² Reference is to the Dulles–Radhakrishnan conversation of March 19; see Document 22.

plained about our military aid to Pakistan, the Pakistanis complained that our economic aid to India enabled the latter to spend large amounts of its own resources on the purchase of military equipment.

Mr. Rountree again referred to our basic policy concerning collective security and said that India and the United States had learned to live with our differences over this question in a satisfactory manner. The Ambassador replied that in spite of certain matters on which the two countries disagreed, he had always felt a very great friendship for the United States and those American officials with whom he had dealt.

33. Memorandum From the Secretary of State to the President¹

Washington, May 2, 1958.

SUBJECT

Approach to the Governments of India and Pakistan regarding the United States proposal for lessening tensions between the two countries

You will be pleased to hear that the British have wholeheartedly endorsed our proposal looking toward the lessening of tensions between India and Pakistan.

In spite of a last minute suggestion by the Embassy in New Delhi that we delay initiating our approach until Prime Minister Nehru returns from his vacation, I recommend that you authorize the Department to proceed as planned, and to instruct the Ambassadors concerned to deliver immediately your letters to Prime Minister Nehru and President Mirza. The greater the delay in making our initial approach, the greater will be the chance that the important security factor may be compromised. I am also anxious to attempt to forestall futile Security Council debates on either Kashmir or the Indus problems, prior to initiation of our approach. Pakistan has already indicated it may wish to raise these issues in that forum.

If you agree to the immediate initiation of our proposal, the Department recommends that, in addition to transmitting your letter to President Mirza, Ambassador Langley also be authorized to transmit a copy of that letter to Prime Minister Noon, under cover of a short letter

¹ Source: Department of State, Central Files, 690D.91/5–2558. Secret. Drafted by Bartlett on May 1.

to Mr. Noon from yourself. A suggested text of such a transmitting letter is enclosed for your approval.²

John Foster Dulles³

² The draft letter to Noon is not printed. On May 2, Dulles met with Eisenhower and discussed, among other matters, the India-Pakistan package proposal. According to a memorandum of that conversation, drafted by the Secretary, Eisenhower agreed with Dulles' recommendation that the United States should proceed at once with the proposal; the President also approved the draft letter to Noon. (*Ibid.*, Secretary's Memoranda of Conversation: Lot 64 D 199)

³ Printed from a copy that bears this stamped signature.

34. Letter From President Eisenhower to Prime Minister Nehru and President Mirza¹

Washington, May 2, 1959.

DEAR PRIME MINISTER (MR. PRESIDENT): You are aware, I am sure, of the concern I have had during the last few years over the economic problems which face both India and Pakistan and which continue to resist easy solution. I have long admired the resolute manner in which both countries have tackled the complex of difficulties facing them and the United States has given, I think, ample evidence of willingness to provide financial and technical assistance in various forms. The people of the United States have expressed their basic sympathy with your people by supporting these actions. I am confident that this understanding will continue unabated.

It is, however, a source of real concern to us that the effective economic development of both countries is being hindered by the continued existence of unresolved political and economic issues. The consequences are that both countries are now devoting increasing amounts to their defense budgets at the expense of development, and that mutually profitable economic cooperation is much lessened.

I am convinced that the national interest of both Pakistan and India make it highly desirable that mutually acceptable solutions of the major outstanding issues be found. The peaceful, progressive economic development which each nation desires and which the foreign

¹ Source: Department of State, Central Files, 690D.91/5–258. Secret; Presidential Handling. Transmitted in telegram 2569 to New Delhi, also sent as 2771 to Karachi, for immediate delivery, the time of presentation to be coordinated by Bunker and Langley. Telegram 2569, which is the source text, was drafted by Nicholl, approved by Rountree, and repeated to London.

assistance program of the United States is designed to promote cannot succeed if these issues remain unresolved. In order to utilize the available resources of our three countries most effectively for the common good, I am writing you personally to offer the friendly assistance of my Government to help in exploring the possibility of setting these major issues which are crucial to good relations between India and Pakistan (Pakistan and India) and to the peaceful, cooperative development of the area.

I have asked Ambassador Bunker (Langley) to deliver this letter to you in person and to arrange for negotiations if you desire. I have asked Ambassador Langley (Bunker) to do likewise with the President of Pakistan (Prime Minister of India).

If you and Ambassador Bunker (Langley) agree that it would be helpful, I should be glad to designate a special representative to visit India (Pakistan) for further general talks with you. You and I could then determine whether it might be useful for the United States to continue its good offices in helping bring about more formal and detailed negotiations. I cannot forget that this was a procedure which proved of considerable value in resolving the serious Trieste question. An important part of any such procedure must, I think, be its confidential character.

If negotiations are undertaken and successfully concluded, I pledge my Government to help in any way that it can in making the settlement effective and in assuring that it contributes to the economic development of India and Pakistan (Pakistan and India).

I cannot emphasize too strongly my deep personal concern with this problem and my great desire, and that of the American people, to help bring about its solution. We have a strong historic association with the people of the subcontinent. I hope very much, Mr. Prime Minister (President), that you will feel that I and my country can be of service in a further endeavor to promote their peace and well-being.

Sincerely,

Dwight D. Eisenhower²

² Telegram 2569 bears this typed signature. The telegram concluded with instructions for Ambassador Langley to deliver a copy of the President's letter to Prime Minister Noon and included the text of a short covering note from the President to Noon.

35. Memorandum of a Conversation, Department of State, Washington, May 13, 1958¹

SUBJECT

United States Approach Toward Improving Indo-Pakistan Relations

PARTICIPANTS

Mr. Eugene R. Black, President, IBRD

Mr. W. A. B. Iliff, Vice President, IBRD

Mr. Davidson Sommers, Vice President and General Counsel, IBRD (for some of the time only)

Mr. Frederic P. Bartlett, SOA

Mr. Bartlett opened the conversation by indicating that he was speaking on behalf of Mr. Rountree who had earlier telephoned Mr. Black to apologize, because of the current situation in Lebanon, for not being able to be present. Mr. Bartlett noted, however, that what he was about to say had been outlined by Mr. Rountree himself. The subject matter was a highly sensitive one and was being brought to the attention of Messrs. Black and Iliff on a strictly confidential basis in their individual rather than official capacities.

The United States Government, Mr. Bartlett noted, had for many years been concerned over Indo-Pakistan relations. Instead of cooperating in building up their economies under democratic institutions and thus helping to assure political stability in the subcontinent, India and Pakistan had unfortunately been devoting a substantial part of their energies and resources in opposing each other. This not only threatened the continued independence of the vitally important subcontinent, but also caused American programs in it to be misunderstood. The United States, therefore, felt it to be absolutely necessary to try to find some way through which progress might be made in resolving Indo-Pakistan tensions.

In this connection, the Department of State was delighted to hear from the Bank's representatives that the current Indus waters negotiations, under Mr. Iliff's auspices, seemed to be more encouraging than had been the case during the past several years.² The Department wanted to assure the Bank that it wished to give every appropriate support toward the latter's efforts to resolve the highly complicated problem of handling the division of the Indus river valley basin waters.

¹ Source: Department of State, Central Files, 690D.91/5-1358. Secret; For Limited Distribution Only. Drafted by Bartlett.

² During this meeting, Bartlett and Iliff also spoke about the Indus Waters problem. A separate memorandum of that conversation, drafted by Rufus Burr Smith, is *ibid.*, 690D.91322/5-1358.

Mr. Iliff would recall, Mr. Bartlett stated, their conversation of last November when Mr. Iliff noted that the several elements making up the complex Indo-Pakistan problem—Indus waters, Kashmir, military build-up, and post-partition financial settlements—were closely related.³ This had been pointed out also last fall by the Pakistan Finance Minister, Mr. Amjad Ali. The Department hoped that, if the first problem, that of the Indus waters, could be resolved thanks to the Bank's efforts, it might help to unlock the doors to the other problem areas.

Without prejudice to the Bank's efforts, however, and regardless of whether these might actually result in a solution of the Indus question, the Department would still wish to encourage the resolution of other elements of tension underlying Indo-Pakistan relations. Therefore, and again Mr. Bartlett noted the extremely confidential character of the information he was about to give, the United States Government had decided in utmost secrecy and through diplomatic channels to initiate private talks with the leaders of the two countries. The purpose would be to determine whether the United States could be helpful in bringing India and Pakistan closer together on the entire complex of issues presently separating them. The United States did not intend to suggest any "cut-and-dried" solution to any of the problems concerned, but in the first instance would simply wish to elicit the views of the two governments. This high level approach to the leaders of India and Pakistan had been reviewed only with the United Kingdom Government and in that Government was known by only a few of the highest leaders and officials. The United Kingdom Government had warmly supported the proposed approach. Mr. Bartlett concluded this summary presentation by stating that whatever might be the results of the forthcoming talks with the Pakistan and Indian Governments, it was the intention of the United States Government to insure that its efforts might contribute to, rather than in any way interfere with, the Bank's own negotiations in connection with the Indus waters.

Mr. Black replied that he was pleased to have the information just given to him. He was happy that the United States had taken this initiative. He felt also that the timing was excellent since the Indus negotiations under the Bank showed promise of reaching a stage when serious consideration of financial assistance might profitably be involved. He assumed that both Pakistan and India would contribute to the development of the necessary irrigation works in the Indus valley but, from information available to him, Mr. Black believed that outside financing would also be necessary. Presumably such outside financing

³ Reference is presumably to the Bartlett-Iliff conversation of October 25, 1957; a memorandum of that conversation is *ibid.*, 690D.91322/10-2557.

would have to come, aside from what the Bank might be able to contribute, from the United States and possibly from the United Kingdom.

Mr. Iliff then reviewed in summary fashion the status of the Bank's negotiations. Pakistan had promised to present by June 21 a fairly detailed plan for the development by it of alternative sources of water from the western rivers which would eventually permit India to utilize all the waters of the eastern rivers for its own purpose. The Indians had promised him to give the Pakistan plans their most serious and urgent study. Current calculations of the roughest kind only would indicate that Pakistan's plan might cost a total of some \$660 million spread over the next ten years or so. A part of this cost would be clearly allocatable to Pakistan since it would bring that country additional water supplies over and above its historic withdrawals from the eastern rivers. Part of the remainder would undoubtedly be contributed by India, but Iliff felt that there would be a substantial gap between the amount India would be prepared to pay for the development of alternative sources from Pakistan's rivers and the cost of actually developing these sources under Pakistan's plan. It would be this gap that would have to be filled by outside financing of some kind or other. The encouraging feature of the current negotiations was indeed that the question of financing had seriously arisen. Previously the proposals of India and of Pakistan had been so far apart that there had been no need to come to grips with the problem of funding.

Mr. Iliff then noted that there was another problem which concerned the Bank—Pakistan's reported decision to bring the Rajasthan canal issue to the Security Council. Mr. Iliff did not know whether they would actually go ahead with this, but the Bank was anxious, in view of the favorable course of the current Indus negotiations, to do what it could to discourage Pakistan from raising the issue in the Security Council. The Bank was, therefore, preparing a letter which Mr. Black would send to Mr. Nehru. A copy of this letter would be shown, but not given, to Mr. Shoaib since the Bank, of course, did not wish the Pakistan Government to use it as the very basis itself for presenting Pakistan's case to the Security Council.

At this point Mr. Sommers entered with a draft of the letter, which was read aloud. The gist of the letter from Mr. Black to Mr. Nehru was that the Bank, whose attention to the statement had been called by the Government of Pakistan, had been most concerned that S. K. Patil in a recent speech in the Indian Parliament had indicated that India, which was beginning the construction of the large Rajasthan canal, intended by 1962 to use the waters of its eastern rivers to feed this canal whether Pakistan by that time had developed alternative sources or not. Mr. Black, in his letter, proceeded to tell Mr. Nehru that in the Bank's opinion alternative sources could not be feasibly

developed, even if plans were completely agreed upon and funding provided, by 1962. Under the best of circumstances, it would take considerably longer. Therefore, the Bank hoped that it could be assured that India did not have the intention of fully utilizing the Rajasthan canal's capacity by 1962 since otherwise the Bank would have no grounds upon which to continue its negotiations. Both Mr. Black and Mr. Iliff hoped that knowledge that the letter had been sent to Mr. Nehru would be sufficient, at least for the present, to discourage Pakistan from raising the issue in the Security Council, particularly since it was not at all certain that the Security Council would be willing to seize itself with a problem which would not come to actual fruition for four years.

Mr. Black concluded the interview by stating that if and when the Bank should have to come to a decision to terminate its good offices in connection with the Indus valley negotiations, it would certainly inform the United States and British Governments in advance. Mr. Bartlett expressed appreciation for this and said that he assumed that it would continue to be the hope of the United States Government that the Bank would continue its good efforts in connection with the Indus valley problems until they were finally resolved.

On leaving Mr. Black's office, Mr. Bartlett had the opportunity to tell Mr. Iliff privately that, if there were any leak in connection with the initial approach of the United States Government to Mr. Mirza and Mr. Nehru, we intended to explain that, and this would be in part the absolute truth, our *démarche* was in the interest of supporting the Bank's good offices in the Indus waters dispute. Mr. Iliff readily agreed that this would be a logical and appropriate explanation.⁴

⁴ The Department summarized this conversation in telegram 2648 to New Delhi, May 13, also sent to Karachi. (*Ibid.*, 690D.91/5-1358)

36. **Telegram From the Embassy in Pakistan to the Department of State**¹

Karachi, May 16, 1958—6 p.m.

2874. In conformity with instructions contained Department telegrams 2885² and 2894³ I presented President's letters to President Mirza and Prime Minister Noon simultaneously, in Mirza's office at 11:15 a.m. May 16. After passing each his letter I suggested that I read that to the President aloud because Noon's nearsightedness handicap which Mirza also realizes and Mirza instantly agreed.

After reading letter I took up in detail all applicable points in talking paper,⁴ emphasizing those which I felt most assuring to Pakistan. Neither Mirza nor Noon raised questions as to Indian negotiation in good faith, but in discussion following my presentation I did point out my belief that chances of settlement of issues were best while Nehru still at helm of Indian Government. I also commented upon strong statements Nehru had made past week: (1) against Communism, (2) defense Urdu language, and (3) defense Muslim minorities in India.

President Mirza interrupted my presentation of working paper points to recall that when he was Secretary of Defense and US military assistance commitments were being made they were predicated upon Pakistan's participation in mutual defense BP area against common enemy, the Communist area. He spoke of planning to this end in GOP Ministry of Defense, especially in relation to the problem of shuttling Pakistan forces into breach if Russians attempted attack through Iran. He said he had asked certain questions then as to eventualities on part of US in such event but had not received responsive answers while he was still in Defense office.

This was before I had made points in paper covered in paragraph 9.

¹ Source: Department of State, Central Files, 690D.91/5-1658. Secret; Priority; Presidential Handling. Repeated to New Delhi and London.

² In telegram 2885, May 14, also sent to New Delhi as telegram 2661, the Department instructed the two Embassies to present the President's letter's to Nehru and Mirza and to change the dates on the letters from May 2 to May 14. The telegram also enclosed the text of the letter from Eisenhower to Noon. (*Ibid.*, 690D.91/5-1458)

³ In telegram 2894, May 15, also sent to New Delhi, the Department instructed the two Embassies to: "insert word 'help' before word 'bring' in first sentence of last paragraph. Thus last phrase this sentence will read: 'to help bring about its solution.'" (*Ibid.*, 711.11-EI/5-1558)

⁴ Reference is to Tab B to Document 26.

In subsequent discussion Mirza and Noon indicated any attempt to bilaterally limit arms would mean revelation status Pakistan forces. Noon said Pakistanis would prefer nonaggression agreement with India.

Both appeared to take letter very seriously, and at point in discussion of their reactions where Mirza and I sought to stress to Noon necessity of getting agreement first upon negotiation procedural matters, and they thought me still in doubt as to what their decision would be both exclaimed together: "We accept the President's suggestion."

Noon had previously started "dictating" to me an answer I should transmit to President Eisenhower. He said in substance the following, to which Mirza did not dissent:

"The President and Prime Minister welcome Mr. Eisenhower's suggestion and are most grateful to him for it. If by negotiation, settlement of Pakistan-Indian issues can be attained, the resulting unity will be an asset to the democratic world in building up the anti-Communist bloc. There would then be no need for Pakistan or India to worry about USSR vetoes.

"We think the moment of this proposal is most fortuitous. We consider the Kashmir issue the most important, and if it can be settled the solution to the Indus waters problem will fall naturally into place.

"Because these negotiations will be secret we will still have to take the Kashmir issue back to the Security Council, or the Pakistani people will be on our necks this election year. We shall have to report the Indus waters problem to the UN too. This will put pressure upon India to proceed with negotiations."

The Prime Minister spoke of special representative mentioned in President's letter. Said he must not be Jew. (Few days ago in getting his approval of five-man committee including two Americans for purpose of picking Eisenhower Fellow, Noon vetoed suggestion of one American because he Catholic, saying there would be Muslim resentment.)

I spoke at some length about first problem being working out agreed procedures. Noon indicated no desire to personally go abroad, indicating he did not even wish to go to next UN meeting, to which Mirza replied: "Maybe you should go for about a week." The President suggested that if any meetings were held in Karachi they could be conducted in library at my residence, a room with which he has long been familiar. I said that in my judgment any special representative or negotiator for the US should be someone not sufficiently well-known to have his presence in either Delhi or Karachi arouse comment. Mirza indicated meetings in either Karachi or Delhi probably all right, but Noon and Mirza seemed to think that direct consultations between Prime Ministers probably fruitless.

(*Comment:* Reason for seeing both together was to prevent suspicion of playing favorites and to have Mirza's help in keeping Noon quiet. Noon left his letter with Mirza to lock up in latter's safe. We agreed that for now no others in Pakistan Government should know. I did not attempt to give any advice on taking Kashmir and waters issues to UN at this meeting, feeling that can better be followed up subsequently if Department thinks best. Noon thought this telegram sufficient acknowledgment to President but I suggested Mirza should formally reply, but without discussion contents, which he agreed courteous thing. Both wished to know what I reported in these circumstances, and I shall show them abbreviated copy this telegram. Noon's reaction to going to next UN meeting indicates fight has gone out of him on Kashmir issue, possibly, and also his primary concern with domestic election year problems and too great burden, for him, of office he holds.)

Langley

37. Telegram From the Embassy in India to the Department of State¹

New Delhi, May 17, 1958—1 p.m.

2933. Reference: Deptels 2569² and 2661.³ I presented the President's letter (dated May 14) to Nehru 7:00 p.m. May 16.

Nehru read letter and expressed appreciation for what President had written him. He then

(A) expatiated at length about difficulties negotiating with GOP. He felt basic problem Indo-Pakistan relations was bitterly anti-Indian mental attitude of Pakistani leaders which was however not representative of attitude of Pakistani common people.

(B) stressed extreme instability GOP.

(C) stressed intemperate tone of attacks on India by GOP leaders and Pakistani press, recent threats by them of war against India, and acts of sabotage in Kashmir.

¹ Source: Department of State, Central Files, 690D.91/5-1758. Secret; Priority; Presidential Handling. Repeated to Karachi and London.

² See Document 37.

³ See footnote 2, *supra*.

(D) referred to failure GOP to agree to IBRD proposals on canal waters and unilateral GOP denunciation of 1948 Indo-Pakistan canal waters commitment.⁴

(E) stated Pakistanis always considered discussion of any subject to be a commitment.

Nehru expressed wish that elections could be held in Pakistan and that more stable government could result. In any event elections would give indication probable trend of events.

Nehru stated Graham's suggestion of Prime Ministers' meeting under his chairmanship was wrong approach since it would simply result in each side arguing its case before an umpire. I explained President's proposal contemplated wholly different approach, namely, to take up as a group problems which had proved separately insoluble and to negotiate about them through experts and in secret. I explained mechanics Trieste negotiations in detail.

I stated President was also writing Mirza whom we believed reliable and strong enough to carry out commitments. I stressed fact self-interest of countries would be overwhelming motive for doing so and emphasized need for faith and allowance for the possibility of regeneration which Nehru himself had often mentioned. I emphasized depth President's interest in solution Indo-Pakistan problems and good effect their settlement would have on US Congress and people.

Nehru promised reply to President's letter, stating he would consider matter carefully and would take it up after his return from holiday. He agreed inform me when he was ready to discuss matter further.

I told Nehru we were informing UK of our approach.

Discussion lasted one hour and ten minutes. Nehru looked tired but seemed relaxed, friendly and in good spirits.

Full memorandum of conversation is being pouched to Bartlett this afternoon.⁵

Bunker

⁴ Pakistani and Indian representatives signed that agreement in New Delhi on May 4, 1948; for text, see 54 UNTS 45.

⁵ Bunker transmitted a full memorandum of this conversation with Nehru to Bartlett on May 17 under cover of a brief letter. (Department of State, Central Files, 690D.91/5-1758)

38. Editorial Note

On May 19, Prime Minister Macmillan sent letters to both Prime Minister Nehru and Prime Minister Noon, urging the two to enter into direct discussions in an effort to resolve the Kashmir dispute and other matters. In both letters, Macmillan mentioned Eisenhower's recent communication and indicated his belief that the President's initiative provided "an opportunity we dare not miss of turning from the unhappy and sterile controversies of the past ten years towards a settled future in which both India and Pakistan can work together for the prosperity and contentment of their peoples." He urged the two to give a favorable reply to Eisenhower's proposals. (Telegram 3012 from Karachi, May 29; Department of State, Central Files, 790D.91/5–2958; telegram 2947 from New Delhi, May 19; *ibid.*, 690D.90/5–1958; and despatch 1086 from Karachi, May 27; *ibid.*, 690D.90/5–2758)

39. Telegram From the Department of State to the Embassy in Pakistan¹

Washington, May 22, 1958—8:06 p.m.

2961. For Ambassador. In light indications (Embtel 2904)² that GOP planning take Kashmir and canal waters issues to SC, suggest you approach Mirza and Noon (perhaps simultaneously as proved effective in package presentation) along following lines:

As indicated May 16, we have given much thought to problem of reduction Indo-Pak tensions. It is our earnest hope that package proposal to which we attach great importance will bear fruit. We pleased by Mirza–Noon initial response and have been encouraged to expect their fullest cooperation. However, problems involved have defied solution for ten years and therefore no one can underestimate the difficulties to be encountered.

We fully cognizant domestic political pressures in Pakistan, noted by Noon at time of package presentation, which tend impel GOP to bring Kashmir and canal waters issues before UN. Since obvious SC debate likely only exacerbate tensions between India and Pakistan

¹ Source: Department of State, Central Files, 690.91/5–2058. Secret; Priority; Limit Distribution. Drafted by Armin H. Meyer and approved by Rountree. Repeated to New Delhi, London, and USUN.

² Dated May 20. (*Ibid.*, 690D.91/5–2058)

without any advance toward solution and thus have unfortunate effect on climate needed for successful negotiations, it is USG's sincere hope, in interest giving package proposal best chance success, that means can be found which would enable GOP not to press for SC action at this time. We would like to be able discuss alternative possibilities fully with GOP prior latter's final decision on taking issue to Council.

Mindful of same Pak domestic pressures, we believe on question Rajasthan canal GOP might wish consider setting forth GOP position in letter to GOI with copies sent to SYG for distribution to members SC. This procedure (which similar though not identical to that employed by GOI in case of Mangla) should provide adequate formal registration GOP position.

In passing, observation can be made that even without important new element our package proposal, wisdom of taking either Kashmir or canal waters issues to SC or GA at this time debatable since, judging from past experience with Soviet veto and other impediments, definitive and fruitful results highly doubtful. This would seem argue all more for giving package proposal fair chance.

FYI—You may wish to discuss above approach with UK High Commissioner, enlisting if useful his support in approach.

It will be noted that suggestion for handling canal question similar that proposed to Pakistanis by Iliff of IBRD, but care should be taken not to intimate that USG informed of Iliff's action. End FYI.

For London: Inform CRO of above instruction to Ambassador Langley, expressing hope that UKG may be able instruct UK High Commissioner Karachi support Ambassador Langley if such support deemed useful by Ambassador Langley.

Instructions to USUN re approach UN Pakistan representative being repeated separately.³

Dulles

³ In telegram 820 to USUN, May 22, the Department instructed the Mission in any further conversations with Pakistani Representative Aly Khan to make clear that the United States "does not believe recourse to SC on either Kashmir or canal waters at this time would produce any constructive result from Pakistan's standpoint." (*Ibid.*, 690D.91/5-2158)

In telegram 2973 from Karachi, May 25, Langley reported that he called on Mirza the previous day and discussed with him the two proposals contained in telegram 2961 regarding the Kashmir dispute and the Rajasthan canal. Mirza agreed that the U.S. position was valid. Langley then called on Noon, who also agreed with the U.S. position; "but his performance," the Ambassador indicated, "may leave something to be desired." The Prime Minister's first reaction on Kashmir "was to read lecture on how US and UK combining to do nothing to get settlement." (*Ibid.*, 690D.91/5-2558)

40. Telegram From the Department of State to the Embassy in Pakistan¹

Washington, May 29, 1958—12:56 p.m.

3011. Pakistan Ambassador on instructions informed Dept May 26 GOP hoped new Kashmir resolution would be introduced in SC June by US and others.² He presented draft resolution for USG consideration (Deptel sent Karachi 2992,³ info New Delhi 2749, London 8459, USUN 839).

Department informed Ambassador full US comments would be forthcoming after due consideration. Our tentative thinking was that such action in Security Council would result in acrimonious debate re Graham report and that any resolution useful to Pakistan would inevitably be vetoed by USSR. Pak Ambassador responded GOP also considered Soviet veto likely; if veto occurred, GOP would refer Kashmir to GA next September.

Ambassador Langley if he perceives no over-riding objection should see Mirza and Noon soonest in further effort induce them halt GOP plans reintroduce Kashmir issue in SC. Ambassador might emphasize:

1. USG's appreciation, particularly during election year, of public opinion pressures re Kashmir to which GOP exposed.

2. Basic contradiction between proceeding with US package proposal and SC consideration. Our principal reason for offering to assume traditionally unrewarding role of "go-between" was USG's conviction that ten years had demonstrated ineffectiveness of seeking solution of Kashmir problem through SC. US believes for Pakistan to go to SC now could create perhaps insuperable obstacles to success of package proposals: SC discussion likely exacerbate situation and produce an atmosphere that would jeopardize other negotiations, and any resolution along lines Pakistani draft would involve substantive points any discussion of or action on which would inevitably affect package discussions. Moreover, as GOP aware, SC action this character not needed as prelude to GA consideration, should GOP ultimately decide on such course.

3. SC approach would produce no positive constructive results for Pakistan.

¹ Source: Department of State, Central Files, 690D.91/5-2758. Secret; Priority; Limit Distribution. Drafted by Elizabeth A. Brown of the Office of United Nations Political Affairs (UNP) and Bartlett, and approved by Rountree. Also sent to New Delhi and London and repeated to USUN.

² A memorandum of this conversation, drafted by John M. Howison of SOA, is *ibid.*, 690D.91/5-2658.

³ Telegram 2992, May 27, contained the verbatim text of the draft Pakistani resolution on Kashmir. (*Ibid.*, 690D.91/5-2758)

4. UNCIP resolutions constitute Pakistan's principal international support for solution through plebiscite. Another Soviet veto would weaken general international understanding that these resolutions remain valid base for SC implementation and could produce virtually irresistible pressures for movement toward solution along lines less acceptable to Pakistan. Identical considerations apply to any GA action.

For London: Embassy should approach CRO to urge UK make supporting approach in Karachi, after appropriate coordination between Ambassador Langley and UK HICOM Karachi.

For New Delhi: Ambassador Bunker, if he perceives no overriding objection, should see Nehru during return Delhi first week June (New Delhi 3036 ⁴ repeated Karachi 362 and London 142) and make presentation along following lines:

1) President Eisenhower put forward his proposal in sincere effort be of help in bringing about solution of outstanding difficulties that have plagued relations between India and Pakistan for past decade.

2) Mirza and Noon have accepted President's proposal in principle. US Government would find it helpful have indication of Nehru's reaction to President's proposal so that, if Nehru's reactions favorable, planning for implementing proposal could be commenced as early as possible. If feasibility of using President's approach left undecided for month or more, there is real likelihood that events may take place which could jeopardize prospects of proposal's successful implementation.

3) US Government for instance informed that GOP planning raise Kashmir issue in SC. (Reference might be made to Ambassador Langley's démarche with Mirza and Noon referred to above without mentioning details of argumentation against referral of Kashmir issue to SC at present time, but stressing pressure of public opinion on Pakistan leaders to follow through on Graham report and noting problem of prospective, damaging press leaks in event prolonged delay.)

4) In conclusion US Government hopes that GOI may be able reach decision re President's proposal prior Nehru's second leave period.

If Embassy believes above prodding of Nehru would risk making his final response negative rather than affirmative, approach of course should not be made. Under these circumstances Department would appreciate soonest Embassy's evaluation of resulting situation and recommendations re alternative courses of action.

For Karachi and New Delhi: Department proposing above in order attempt under best possible circumstances persuade Mirza and Noon substitute package for SC approach, assuming always of course that Nehru willing accept American proposal. If Nehru willing accept proposal without imposing undesirable conditions, but Mirza and Noon

⁴ Dated May 26. (*Ibid.*, 690D.91/5-2658)

still unwilling forego raising Kashmir in SC in June, feasibility of some stop-gap measure referred to in Karachi 2987⁵ will have to be considered.⁶

Herter

⁵ In telegram 2987, May 26, Langley informed the Department in part as follows: "Despite promise Noon and Mirza that Pakistanis will consult US before taking Kashmir resolution SC, and because package approach must be kept secret if it to have any chance success, USG must attempt propose some intermediate step prevent Pakistanis from repetition same old performance, also to hold UK in check on package plan. I have nothing to suggest yet, but feel need stop gap procedure imperative." (*Ibid.*, 690D.91/5-2658)

⁶ In telegram 6936 from London, May 30, the Embassy reported that British representatives had already urged Pakistan strongly to postpone action in the Security Council until there was an opportunity for further clarification of the package proposal. (*Ibid.*, 690D.91/5-3058)

Langley met with Mirza on May 31 and outlined the Department's position regarding any further Security Council consideration of the Kashmir dispute. Mirza then called Noon, who was in Lahore, and as a result of their conversation agreed that presentation of the proposed resolution on Kashmir would be delayed for 2 months. "Mirza all for giving American plan chance," Langley reported to the Department, "and realized problem US has with Nehru. Mirza sees plan as only real hope peaceful solution Indo-Pakistani problems." (Telegram 3034 from Karachi; *ibid.*, 690D.91/5-3158)

41. Telegram From the Embassy in India to the Department of State¹

New Delhi, June 2, 1958—7 p.m.

3091. I saw Nehru this morning at his request. He was relaxed and cordial and wished discuss package proposal. Prime Minister said he was attracted to it because it came from President Eisenhower and because it offered hope of settlement knotty Indo-Pak problems. But he was troubled by three things which he proceeded to discuss: 1) Presence of third party—Indian thinking had been of new approach to GOP for bilateral talks. My memorandum (which was before him) clarifying points touched on in May 16 talk² had been helpful and he was rethinking this position in light of our proposal. He did not say what MacDonald reported Pillai told him yesterday that mediation might come to ear of "other governments" who do not have interest in operation being successful and might try obstruct it. 2) Possibility of

¹ Source: Department of State, Central Files, 611.90/6-258. Secret; Limited Distribution. Repeated to Karachi and London.

² See Document 37. The memorandum has not been identified.

leak—Nehru's mention of this was not as forceful as Pillai's and Desai's last week; I hope memo, which endeavored reassure him secrecy could be preserved, had desired effect. 3) Past difficulties in dealing with Pakistanis—Nehru more or less repeated description he had given me May 16 of alleged Pakistani unpredictability and uncooperativeness. He also said he wished Pak elections were over, so situation could be assessed.

Nehru said he thinks will probably make interim reply President Eisenhower's letter at this time and full reply later. He referred to need to sell his "colleagues in cabinet"—i.e., Pant, Krishna Menon, Morarji Desai, and possibly Law Minister Sen. Since he told me he will not resume his holiday on June 5 as previously scheduled and is uncertain whether or when he will, I hope the full reply will be forthcoming shortly.

In our talk I mentioned President had made proposal because of his great interest in helping to solve difficulties which have plagued Indo-Pak relations last ten years. I said Mirza and Noon had accepted President's proposal in principle, but that we foresaw danger the pressure of public opinion would force Paks follow up on Graham report in SC with probable acrimonious debate which would only make negotiations more difficult. Ambassador Langley had already approached Mirza and Noon to urge them not to bring matter before SC, but an affirmative answer from him (Nehru) would greatly strengthen our hand in effort dissuade GOP bringing case again to SC or at least persuade them to agree to come in [with] innocuous hold-the-line resolution which would not upset relations further.

After considerable probing I decided it best not press Nehru for early reply since I was convinced he had not yet thought the problem through nor had opportunity to consult his colleagues adequately. I believe my argument had weight without having impression of undue pressure. I am somewhat optimistic after talk although I suspect if he accepts Nehru may be reluctant go much beyond working out mediation procedure, locus, etc., before Pak elections. Memo of conversation follows.⁴

Bunker

⁴ On June 3, Bunker forwarded to Bartlett a memorandum of his conversation with Nehru, under cover of a personal letter. (Department of State, SOA Files: Lot 62 D 43, Package)

42. Telegram From the Department of State to the Embassy in Pakistan¹

Washington, June 5, 1958—7:18 p.m.

3059. Embtel sent Department 3066² info Lahore 434, Dacca 452, New Delhi 415. Department appreciates your basic analysis that Azad Kashmir situation not likely erupt or get out of hand. Believe USG position re adventurism of type planned by Ghulam Abbas and other Pakistanis is well known to GOP and especially its top leaders. However when and if in your opinion US position should be reemphasized to bolster GOP determination maintain law and order, you authorized at your discretion and in manner which appears most effective discuss officially Azad Kashmir and cease fire line situation with appropriate GOP officials.

We wish avoid any semblance of nagging or any indications we harbor any doubts as to GOP willingness or ability maintain law and order in Azad Kashmir. Therefore, if discussions materialize, base your remarks on USG gratitude for GOP firmness in dealing with a potentially serious internal situation which has international connotations. Use Noon's remarks (Lahore tel sent Department 348³ info Karachi 436, Dacca 8, New Delhi 11) as basis your commendatory remarks supplemented by appropriate references to other officials. Emphasize USG recognition that considerable political courage has been necessary under present circumstances but imply that nothing less is expected by Pakistan's friends. Express US trust that firmness will continue.⁴

Dulles

¹ Source: Department of State, Central Files, 690D.91/6-458. Secret; Priority. Drafted by Soulen and approved by Rountree. Repeated to Dacca, Lahore, and New Delhi.

² In telegram 3066, June 4, the Embassy reported that Azad Kashmir leader Ghulam Abbas and his followers had recently threatened publicly to move across the cease-fire line into Indian-occupied Kashmir. The Embassy pointed out that the U.S. position on aggression across the cease-fire line was well known, but requested authorization to reiterate this position with the Pakistani Government. (*Ibid.*, 690D.91/6-458)

³ Telegram 348 from Lahore, June 4, summarized a statement issued that day by Prime Minister Noon, rejecting the demands of the Azad Kashmir leaders. (*Ibid.*, 690D.91/6-458)

⁴ In telegram 3076 from Karachi, June 5, the Embassy reported that during a conversation the previous day with Amjad Ali, Ridgway Knight "emphasized vital importance Pakistan Government preventing any of current wild threats about Azad Kashmir moves into 'occupied Kashmir' from being carried out." Amjad Ali concurred. (*Ibid.*, 690D.91/6-558)

43. Letter From Prime Minister Nehru to President Eisenhower¹

New Delhi, June 7, 1958.

MY DEAR MR. PRESIDENT: Ambassador Bunker handed over to me on the 16th May your personal letter of the 14th May. I am grateful to you for your personal interest and concern in matters affecting us. I hope you will forgive me for the delay in sending a reply to your letter.

Soon after I received your letter, I left Delhi for a brief rest in the inner valleys of the Himalayas. Ambassador Bunker himself suggested that there was no necessity for an immediate reply to be sent to you and that this could wait till my return. Apart from my absence from Delhi, the suggestions you were good enough to make in your letter required very careful consideration by us, as they raised important issues.

Even before I left Delhi, I had a long talk with Ambassador Bunker on the subject of your letter and pointed out to him the various aspects of the problems and the difficulties we had to face. On my return from the mountains, I had another long interview with Ambassador Bunker. He was good enough to give me a note amplifying the proposal made in your letter. We discussed this also. I have no doubt that the Ambassador has communicated to you what I said to him on both these occasions.

I need not, therefore, write at any length now. But I am taking the liberty of enclosing a copy of the report of a speech I made in our Parliament on April 6, 1958.² This deals with Indo-Pakistan relations and I attempted to give in it our approach to all the problems that had arisen between India and Pakistan. It deals, in particular, with the basic difficulty we have faced throughout these years in our dealings with Pakistan. There is also reference in it to the report that Dr. Graham made to the Security Council after his recent visit to India.

This speech will, I hope, make it clear to you how anxious we have been ever since independence to have normal and friendly relations with Pakistan. We had hoped that the old conflicts and the policy of hatred and violence, pursued by the old Muslim League, which indeed had led to the partition, would cease. It was obviously to the advantage of both countries to live in peace and friendship with each

¹ Source: Department of State, Presidential Correspondence: Lot 66 D 204, Nehru. Secret. The text of this letter was transmitted in telegram 3136 from New Delhi, June 8, with the following comments by Ambassador Bunker: "Yesterday afternoon Desai handed me Prime Minister Nehru's reply to President Eisenhower's letter of May 14 regarding package proposal. Signed original of letter being pouched. Our comments being sent in immediately following telegram." (*Ibid.*, Central Files, 690D.91/6-858)

² Not printed.

other and to devote themselves to their social and economic development which was so urgently needed to give a social content to our freedom and independence. Unfortunately for us and for Pakistan, our hopes were not realized and the Pakistan Government continued to pursue that old policy of hatred and violence. Every Government that comes into power in Pakistan bases itself on this policy of hatred against India. It is the basic fact that has to be recognized. In our opinion, the settlement we so ardently desire cannot come if this policy of hatred continues.

Military pacts and military aid have made Pakistan think in terms of coercing India. No self-respecting country can submit to this; much more so when that country is an aggrieved party and the other country continues to profit by its aggression. Unfortunately, the encouragement that Pakistan has received, in the Security Council and elsewhere, has led her to continue her policy of aggressive intransigence.

I realise fully that, whatever the rights and wrongs may be in regard to these disputes, it is highly desirable to settle them and turn the course of events in the direction of peace and cooperation. I entirely agree with you, Mr. President, that we should make every effort to this end. The question that arises is how best this can be done, because a wrong step may well lead to further difficulties. We have experience of trying to explore various avenues and making proposals for discussion, which found no response from Pakistan and led to further confusion. Indeed we were made to suffer for every step that we took in the hope of facilitating a settlement. Despite all this, it is our desire that our two countries should resolve their differences and develop friendly relations with each other. To this end, we shall continue to work, but, in doing so, we cannot submit to what we consider basically wrong, for any such submission would not solve any problem and would only aggravate our conflicts.

We have always been of the view that a settlement of our various issues with Pakistan can only be arrived at satisfactorily by direct contacts between the two countries. If third parties intervene, even though that intervention proceeds from goodwill, the position becomes entirely different. The aggressor country and the country against whom aggression has taken place, are put on the same level, both pleading before that third party. It is this difficulty that has faced me in considering the proposal that you have made. Ambassador Bunker has told me that it is not intended that any person should act as a judge or umpire. Nevertheless, by whatever name the third person might be called, his intervention would tend to be regarded as of that kind and might well add to the present difficulties. Any visit of such person could not be kept secret and the result would be greater public excitement.

Kashmir, Canal Waters and other matters in issue between India and Pakistan are the result and not the basic cause of Pakistan hostility to India. The atmosphere between the two countries has been worsened further by the incitement by Pakistan authorities of subversion and sabotage in Kashmir and by speeches by Pakistan leaders advocating holy war against India. Pakistan authorities have been responsible for frequent border incidents; early this week, seven of our border police were shot down in cold blood while negotiating under the white flag with their Pakistan counterparts along the border.

I have ventured to point out frankly the difficulties that face us. At the same time, I appreciate greatly your concern and I am anxious to explore all possibilities which might lead to happier results. I do not think, for the reasons I have given above, that a visit by a special representative, as suggested by you, would be helpful. Ambassador Bunker is in touch with us and we shall gladly discuss with him any development that might arise or any avenue that might offer itself for exploration.

May I again express my gratitude to you, Mr. President, for your personal approach to these matters which concern us intimately. I know that you and your country mean well by us and we are happy that there has been a growing understanding between our countries.

With warm regards,
Yours sincerely,

Jawaharlal Nehru

44. Telegram From the Embassy in India to the Department of State¹

New Delhi, June 8, 1958—7 p.m.

3137. Reference Embtel 3136.² After Commonwealth Secretary Desai handed me Nehru's reply to President I discussed contents with him and Pillai. I said letter appeared in substance to be a rejection of President's proposal. I was frankly disappointed. Some things about it were puzzling and I should like to have their interpretation and views before reporting to Washington. I pointed out that in next to last paragraph, Nehru stated he did not think a visit by a special represent-

¹ Source: Department of State, Central Files, 690D.91/6-858. Secret; Presidential Handling. Repeated to Karachi and London.

² See footnote 1, *supra*.

ative would be helpful but previously I had been at great pains to explain that such a representative was not an essential part of President's proposal and I had gone into great detail as to possible techniques of negotiation which might be employed. I wondered whether he clearly understood this part of the proposal.

Pillai said he thought Nehru had understood my explanation, but their problem involved having any third part intermediary enter negotiations at this time. He went on to say "I think you should not read too much or too little into the letter." Pillai said that had a proposal such as this been made two years ago, it would not have been entertained at all. Fact that Nehru and GOI had carried on very serious discussions and had considered this proposal very carefully from all angles represented long step forward in their thinking and "a personal victory for you."

He described some of difficulties they had with our proposal. Leaving aside question of a special representative, which here recognized as not being an essential part of proposal, nevertheless fact that any intermediary was involved could not in their opinion be kept secret; it is practically impossible for Indians to keep a secret. There had been leak for example, about President's first letter to Nehru³ and he (Pillai) had to take drastic measures to plug it. If leak occurred it would be politically very embarrassing for GOI.

There was also a feeling among the "generality" of people that it would be difficult for US to be completely impartial because of US arms aid to Pakistan, Pakistan membership in Baghdad Pact and SEATO, with which we were so closely connected, and US position in Security Council on Kashmir. Pillai was at pains to point out that this feeling did not apply to President Eisenhower or necessarily to others as individuals in USG but that there was still a feeling that it tended to color our administration's viewpoint as a whole.

In reply to these observations, I said fact we proposed negotiations take place at expert level, and they could very well take place outside subcontinent, was strong guarantee that secrecy could be maintained. It was normal for negotiations be carried on about various matters at this level and if in spite of precautions there should be leak, an explanation that talks were in progress about some specific matter would appear to be perfectly normal explanation. Therefore the prospect of any embarrassment to either party seemed to me minimal.

As to question of impartiality, I felt recent developments in relations between India and US within last year or two must be a guarantee of our friendly feeling toward India, that role of intermediary would be technical one and rather like a catalyst if directed toward a progressive narrowing of areas of disagreement. As an expert, whose

³ Document 208.

sole purpose was to bring about agreement between the parties, his whole training and instinct would predispose him toward objective view.

Pillai said he believed this to be so and thought probably Nehru would also, but there was among his colleagues a certain uneasiness. Statement which Secretary Dulles had made about US relations with Pakistan in commenting on Kennedy–Cooper resolution, which appeared in *Delhi Press* June 7, tended confirm this feeling.⁴

Pillai referred to Nehru's feeling that because of attitude of Pakistan leaders, fruitful negotiations at this time would be improbable and some change in attitude on their part was needed. I replied that if this were true, then Pakistan leaders, being like rest of us human, fallible, and with certain amount of pride, would need be provided with ladder which to climb down from their present attitude or position. This was what our proposal was designed to do. There would need to be concessions on both sides. It was certainly not reasonable to expect Pakistan leaders to voluntarily adopt such a changed attitude without some prospect that it would bear fruit. I added I did not share view which Nehru had expressed that this change of attitude needed come before negotiations. On contrary I felt that prospect for successful negotiations would induce a changed viewpoint.

Pillai said this might be so and agreed some method needed be provided for both sides to come closer together. He then said "door is not closed, and I want call your attention to last sentence in third paragraph on page three penultimate paragraph which says 'Ambassador Bunker is in touch with us and we shall gladly discuss with him any development that might arise or any avenue that might offer itself for exploration'." He added "this is Prime Minister's own wording and it is put there for a specific purpose." He said what he meant in effect was as follows:

GOI wants to make progress toward solution of its difficulties with Pakistan. GOI believes, however, that best way to success at present is through regular diplomatic channels, i.e., through my talking with Nehru directly and with Ambassador Langley carrying on talks in Karachi. Pillai added that progress would take time and patience. He said that, for example, three years ago Nehru had suggested settlement of Kashmir issue approximately along cease-fire line with some adjustments. Pakistan had not accepted this but if, in connection say with any approach to settlement of canal waters, this proposal could be revived it might be possible make some concrete progress. He

⁴ On March 25, Senators John F. Kennedy (D.–Mass.) and John Sherman Cooper (R.–Ky.) introduced Senate Concurrent Resolution 74, which called on the United States "to join with other nations in providing support of the type, magnitude, and duration adequate to assist India to complete successfully its current program for economic development." Dulles' statement has not been identified.

said GOI would prefer carry on negotiations by Ambassador method both because the negotiations were looked upon as long-range problem, and their confidential nature could be better protected. He said I should keep in touch personally with Nehru but not in a way which would indicate we were trying exert pressure. He repeated again that time and patience were necessary, that door was not closed, and that he was confident that by following this procedure progress could be made.

Desai, when talking to MacDonald when he handed him Nehru's letter of reply to Macmillan⁵ made similar comment, saying both Ambassadors (Langley and I) could explore with respective governments questions in dispute between two countries seeking to analyze areas of disagreement and making comments or suggestions to each party with view to trying reduce area of disagreement. Desai added that these talks here could be carried on with him and Pillai, and as occasion required, with Prime Minister. I said I was surprised at nature of Nehru's reply because he told me only last Monday he would make brief interim reply to the President and then reply later at length. I assumed this was the longer reply he had in mind and therefore matter must have been considered by Cabinet. Pillai said of course matter had been considered by most important members of Cabinet such as Pant, Morarji Desai, and Krishna Menon, but not by all members.

Comment: From my talks with Nehru and with Pillai and Desai, I believe Indians are apprehensive on following points:

(1) A belief that basic mental and emotional attitude of Pakistan leaders toward India will prevent fruitful negotiations taking place at this time. Recent bellicose statements by Pakistan leaders and border shootings have tended to confirm this feeling.

(2) They believe political instability in Pakistan and insecure character of government would make carrying out of commitments entered into problematical. GOI would prefer that negotiations be taken up after Pakistan elections when there would be clearer indications of stability of Pakistan government, its character and probable course of action, and the possibility for successful negotiations.

(3) There is still a lurking apprehension that because of our close relations with Pakistan, it would be difficult for USG to be completely impartial no matter how well intentioned.

(4) While they are at present reluctant to proceed with President Eisenhower's suggestion, they definitely do not want to close door and would like to try the less formal approach of carrying on talks with Ambassadors in Karachi and New Delhi.

⁵ A copy of Nehru's letter to Macmillan, dated June 7, is in Department of State, Central Files, 690D.91/6-758.

While I am disappointed at Nehru's reply, I feel we should not be too discouraged at this point. I have all along expressed opinion that negotiations would be a long-range operation and that purely from point of view of GOI reaction an approach after Pakistan elections would have been most propitious time. I think I should continue to keep in touch with Nehru on these matters without giving impression we are trying to pressure him. Further progress on canal waters for example may provide another opportune opening to push matters a little further forward with Kashmir or other problems. I recognize we shall have difficulty explaining all this to Pakistanis but I believe they are aware of Nehru's complex nature and reactions. We may have to go through some difficult times in Security Council and during Pakistan election campaign, but we should keep plugging away and not lose heart. It may take a year or two years or even more to reach desired solution but I think that patience, perseverance and the logic of events will ultimately bring us to success. We have some good allies in the GOI who can be cultivated and help us to reach desired goal. We should maintain flexible attitude and not be wedded to any one method negotiation. There may be more than one road by which to reach our objective.

Incidentally, Nehru now scheduled resume holiday June 11 when he departs for another 10 days to 2 weeks in Kulu Valley.⁶

Bunker

⁶ Bunker forwarded a full memorandum of this conversation to the Department on June 10, under cover of a letter to Bartlett. (*Ibid.*, SOA Files: Lot 62 D 43, Package) In telegram 3164 from New Delhi, June 11, he offered some additional thoughts on Nehru's letter. He suggested that the letter intended to leave the door open to further exploration of possibilities for negotiation through the channels it mentioned. (*Ibid.*, Central Files, 690D.91/6-1158)

During a meeting with the President at the White House on June 11, Dulles briefly referred to Nehru's letter. In a memorandum of that conversation, the Secretary wrote: "I mentioned the 'turn-down' by Nehru of the President's package plan." (*Ibid.*, SOA Files: Lot 62 D 43, Package)

45. Telegram From the Department of State to the Embassy in India¹

Washington, June 11, 1958—8:28 p.m.

2868. Re New Delhi 3136² and 3137³ repeated Karachi 276 and 277 and London 147 and 148. Department disappointed at apparent substance Nehru's letter of June 7 to President. Ambassador Bunker's handling of presentation to Nehru, including his amplification memorandum of May 27,⁴ greatly appreciated.

New Delhi's and Karachi's joint recommendations requested regarding basic position to be incorporated in President's reply to Nehru and, flowing therefrom, next steps to be taken in both New Delhi and Karachi. Since impracticable at this time to invite Ambassadors to Washington for consultation, Department suggests possibility Maffitt going Karachi or Knight to Delhi in order develop quickly these recommendations.

Department's preliminary reaction to substance Nehru's letter and Ambassador Bunker's conversation with Pillai and Desai is to concentrate on last sentence Nehru's penultimate paragraph and tenth paragraph New Delhi's 3137; i.e., to assume Nehru has not rejected President's proposal out of hand, but rather has suggested at least for the present a different procedure for implementing it. This procedure apparently designed both a) enable Nehru tell his Cabinet USG not "intervening" between GOI and GOP, but simply talking GOI and b) thus delay coming to grips with substantive decisions until perhaps after Pak elections. We understand this is also London's assessment of situation. A direct way in which to test this assumption could be to instruct Ambassador Bunker, when delivering President's reply which would be couched in less specific terms, to seek from GOI amplification of Pillai's statement that "if, in connection say with any approach to settlement of canal waters, this proposal (settlement of Kashmir issue approximately along cease-fire line, with some adjustments) could be revived, it might be possible to make some concrete progress." What we would ideally like to have from GOI would be indication: a) whether cease-fire line partition would still be considered by GOI as basis for negotiation and b) if so, what "adjustments" GOI might have in mind. USG would assume that these adjustments relate to facilitating canal waters settlement.

¹ Source: Department of State, Central Files, 690D.91/6-858. Secret; Priority; Presidential Handling. Drafted by Bartlett and approved by Rountree. Also sent to Karachi and repeated to London.

² See footnote 1, Document 43.

³ *Supra.*

⁴ See Document 41.

Department appreciates comments in penultimate paragraph New Delhi Presidential Handling 3137 and New Delhi's Presidential Handling 3164⁵ repeated information Karachi 281 and London 149 and realizes that above "testing" of Department's basic assumption as to meaning of Nehru's letter might give impression USG is trying to "pressure" Nehru. If this true and if it would therefore risk closing door completely, alternative, but less decisive approach could, in first instance, merely be for Ambassador Bunker to secure from Pillai clarification that Nehru's letter does not mean rejection President's basic principle of "package" approach, but that Nehru speaking for GOI is proposing a method of studying its possibilities. Until USG has at least this clarification, it would not appear proper for USG to discuss substantive problems bilaterally with GOP or indeed to attempt to interpret to GOP what Nehru's reply to President's proposal really means. Since GOP may learn through its own channels that Nehru has replied to President, we should, in order maintain our good faith with GOP, do our best be able soonest inform GOP what Nehru said and our interpretation of it. Department therefore hopes it can receive joint recommendations requested herein as soon as possible.

Observe Presidential Handling.

Note: As in the past, you should continue to caption messages on this subject "Limit Distribution" except as in this case where they deal directly with the President's correspondence and need to make reference to previous Presidential Handling messages, in which case "Presidential Handling" is appropriate.

Dulles

⁵ See footnote 6, *supra*.

46. Telegram From the Embassy in India to the Department of State¹

New Delhi, June 17, 1958—5 p.m.

3207. Regarding Deptel 2868,² to Karachi as 3100 information London 8848. Following is joint Karachi–Delhi message after consulta-

¹ Source: Department of State, Central Files, 690D.91/6–1758. Secret; Priority; Presidential Handling. Repeated to Karachi and London.

² *Supra*.

tion with Knight (Karachi telegram 3144 to Department,³ repeated London 181).

1. Basic premise from which we should operate is that Nehru is interested in following up "any development that might arise or any avenue that might offer itself for exploration." In other words, he has left door open and first phase of our planned operation, negotiation with one of the parties, has begun with him. Not only is this the only constructive attitude which we can take at this juncture, but we also believe this to be the case in fact.

It perfectly possible Nehru may think delay will serve further to strengthen his position over Paks. But we believe he finds no profit to India in Pakistan's deteriorating into chaos or coming under Communist control or influence, and so will not delay beyond elections if he can satisfy himself stable enough government exists then in Karachi to warrant his attempting come to agreement.

2. President should reply to Nehru only after Nehru returns from Kulu last week of June and we see direction his thinking is taking. We hope he will send for Bunker soon after return and we hope restraint shown by GOP in putting off request for SC meeting will have somewhat increased his confidence in GOP. In this connection, both Langley and Bunker believe President's letter already has exerted moderating influence on those Paks and Indians who know of it. If matters turn out this way, President's reply could be drafted to take advantage of good atmosphere created thereby. If Nehru attitude is not constructive or if he does not call for Bunker, nature of reply will be different. In any case, we think letter should be delivered not later than first week in July. A suggested text being pouched today to Bartlett, for consideration in light of circumstances after Nehru's return.⁴ We are agreed U.S. should not now give any indication of pressuring Nehru nor of having more interest in settlement than he does. Apart from his personal idiosyncrasies, we believe (A) he has sincere doubts of Pak stability (as suggested in Deptel 2881,⁵ to Karachi 3119); (B) we must tread lightly at this stage since we have reason believe we are suspected of being not quite impartial; (C) to appear to have too eager interest in settlement would probably increase any inclination towards slow motion Nehru may have.

Regarding (B) above, no matter how we and Department may disagree with Nehru on this point, we are convinced he holds this view; as clearly reflected in Bunker's conversations with him, Pillai, et

³ In telegram 3144, June 12, the Embassy in Karachi reported that Knight would be flying to New Delhi for consultations on June 16, in accordance with the Department's instructions. (Department of State, Central Files, 690D.91/6-1258)

⁴ This text was forwarded to Bartlett on June 17. (*Ibid.*, SOA Files: Lot 62 D 43, Package)

⁵ Dated June 13. (*Ibid.*, Central Files, 790D.00/6-1258)

al, it is based on fact of our relationships (SEATO, BP, arms aid) with Pakistan and not on any personal reaction to demeanor American representatives Karachi and Delhi. Indians have lauded to Bunker Ambassador Langley's objectivity and it is doubtful they would have spoken on substance as frankly with Bunker had they doubted his own good will.

The above does not mean, however, a policy of inaction on the part of Ambassador Bunker who intends to avail himself of any and all possibilities which may open to him for influencing Nehru short of using tactics which would be interpreted as pressure by the latter. (See four below)

3. Outline of immediate position to be taken with Pakistanis might be something as follows:

(A) We are now engaged in talking with Nehru as to methods of procedure. No one had ever expected Nehru to jump at idea. Nehru's character and idiosyncrasies are as well-known to our Pak friends as to us. In particular Nehru believes negotiations in first instance should be carried out by our respective ambassadors.

(B) What is now going on is precisely how we had envisaged conversations might go. We now find ourselves in first stage thereof, i.e., talking with one party (India). Progress bound to be slow and care must be taken to avoid impression U.S. Government exerting pressure on Nehru.

(C) We should mention Nehru's hesitation about engaging in substantive negotiations with Pakistan before the national elections are held.

(D) Since at best it will be difficult to sustain the patience of Mirza and Noon during what may be long-drawn-out first negotiating phase with Nehru, we may have to refer to other considerations. For example, it may be necessary to mention without taking sides a possible cooling effect on Nehru toward entire complex which President's letter stands for of drastic military action by Pak detachment at Fazilka and of intemperateness of public charges re diversion of Sutlej waters. Pak statesmanship in connection with delay SC action would be lauded with view encourage extension of such farsighted attitude to other areas of Pak-Indo friction.

(E) Fact that new Indian High Commissioner Karachi is man with record of such highly responsible assignments as Dayal's, which indicates he enjoys Nehru's confidence, could also be pointed out.

4. Outline of position to be taken with Indians: Pending further developments with Nehru, Bunker should continue fruitful off-record conversations with Indians in one act, who we note with interest now include M.O. Mathai.⁶ These talks to date have fully satisfied him Nehru means leave door open and is proposing own way of studying approach and of implementing our proposal. Procedure he suggests will enable him avoid appearance to Cabinet colleagues of interven-

⁶ Special Assistant to Prime Minister Nehru.

tion by third party and likewise possibly delay having to come to grips with substance before Pak election. Further, re third paragraph reftel, Bunker has been told in these conversations settlement along cease-fire with certain adjustments in favor Pakistan (not a few in Poonch area) would be acceptable basis for negotiation. Map exhibited at one point. Told also this should logically be brought forward in connection waters matter, after successful settlement of both of which the other problems would follow as matter of course. These conversations expected to continue.

Later on, if Nehru does not send for Bunker, latter might call on him and discuss possibility London talks being propitious time for attempt at some sort of link up with other outstanding issues. We should want to know how talks are going and particularly whether Pak proposal for storage along Jhelum in Azad Kashmir appears to be accepted by Indians as meaning that part of disputed territory will remain in Pak hands.

Bunker

47. Telegram From the Embassy in Pakistan to the Department of State¹

Karachi, June 19, 1958—1 p.m.

3214. Upon instruction from Ambassador Langley, Knight saw Prime Minister Noon and Baig at 6:30 p.m. June 18. While he would have preferred waiting for Department's answer to Delhi's 3207² such course action hazardous as Mirza, who is now at Nathiagali, was aware of Knight's call there on Langley June 15 and of former's subsequent trip to Delhi. Baig had also phoned Lewis June 17 a.m. referring to message from Mirza to Noon. In sum there were many reasons why appearance of avoiding Pakistanis re Nehru's answer could have been dangerous. Furthermore, during his trip to Delhi, Knight had obtained clarifications as to Nehru's position referred to in Deptel 3100 to Karachi³ as being necessary prerequisites to talking with GOP re Nehru's reply to President.

Outline of Knight's presentation follows:

¹ Source: Department of State, Central Files, 690D.91/6-1958. Secret; Priority; Presidential Handling. Repeated to New Delhi and London.

² *Supra*.

³ Printed as telegram 2868 to New Delhi, Document 45.

1. We are now engaged in talking with Nehru as to methods of procedure.
2. We never expected Nehru to jump.
3. Noon and Baig know Nehru's idiosyncrasies better than we do.
 - a. He took particular exception to mere suggestion of special envoy.
 - b. He believes negotiations in first instance should be with ambassadors.
 - c. He has some doubt as to what could usefully be done prior to Pakistan elections.
 - d. But he has written that he is interested in following up with Ambassador Bunker any development that might arise or any avenue that might offer itself for exploration.
4. In sum, what is now going on is precisely how we had envisaged conversations might go.

We are in first stage, i.e., taking with one party (India). This may take some time.

During conversation which followed, Noon showed he did not have clear idea of type of long drawn out negotiation ahead. His first query was "Did Nehru give his terms for settling Kashmir"? Thereupon Knight repeated his presentation with much stress on fact that only methods of procedure are now subject of discussion with GOI. Point made of our belief tactics which would be interpreted by Nehru as obvious pressure would be unproductive. Likewise we did not want Nehru to think that we were more interested than he was in solving his problems with Pakistan. (Believe implication as to equal truth of reverse was obvious.) At this point Baig made his only contribution to entire conversation with outburst to effect Nehru was obviously stalling, would continue to stall and that pressure and force were all Nehru understood. Noon made no comment.

Noon then developed at some length reason why Nehru should engage in negotiations of substance now rather than later after Pakistan national elections. Noon said Nehru could never have Pakistan government more anxious to arrive at Pakistani-Indian settlement than government which he led. He, Noon, was responsible for new Pakistan proposals re Indus waters which had led to success of talks at Rome and would now be further discussed at London. He was personally on good terms with Nehru and their private correspondence was friendly. His great ambition was so settle Pakistani-Indian affairs that treaty of perpetual peace and friendship would ensue. Noon added that pressures were building up and that no politician worth the name could afford to remain inactive re Kashmir and canal waters. He made special mention of his government's concern over Ghulam Abbas' threat of crossing ceasefire line and to stern as well as politically difficult orders which he had given to army to prevent these crossings (Knight interjected expression of US admiration for this statesmanlike

attitude). Thus, according to Noon, chances for a reasonable settlement would become less as time passed. To a remark by Knight that while he did not know, it might be that Nehru was deterred by thought that early settlement could be repudiated later by another government, Noon stated categorically "That is impossible".

At this point Noon sent for a map of Kashmir. He referred to proposal made by Krishna Menon in UN to effect that India could accept partition of Kashmir along ceasefire line with a few minor adjustments here or there. He then repeated well-known Pakistan position that Pakistan had to insist on Vale because of "95%" Moslem population. Likewise for her security, Pakistan had to control headwaters of three western rivers. However, he would be quite willing to draw boundary line along eastern bank of Chenab, with Jammu area thus going to India. He interjected that while the Jammu population in 1947 comprised roughly half Hindus and half Moslems, he was sure there was a Hindu majority now as a result of Indian policy. As to method of assigning Jammu to India, he would do it either with or without a plebiscite as Nehru would prefer. All he would insist on would be that same would obtain in Vale, i.e. that it should go to Pakistan either with or without a plebiscite depending on method used for Jammu.

At this preliminary stage when our main objective is to get negotiations under way rather than attempt to negotiate, Knight thought it preferable refrain from comment. Noon expressed hope that his idea as to a settlement could be tried out on Nehru but stressed that this should not be presented as Noon or Pakistan proposal. Knight observed this was one way in which our good offices might be useful.

Comment: Knight was impressed by apparent sincerity of Noon's desire to arrive at an overall settlement with India. At same time, he was struck by emotion and hatred which seemed characterize Baig's attitude.

Throughout talk, Knight sought on one hand to avoid undue pessimism re Nehru attitude which could lead to Noon upsetting applecart by breaking secrecy and publicly claiming credit for Pakistan cooperative attitude and on other hand to steer clear of excessive optimism as to GOI reaction which might merely postpone and perhaps compound future difficulties with GOP.

Lewis flying north June 20 to inform Ambassador fully—he sees Mirza daily—re contents this message and re Knight's trip to Delhi.

After returning from Delhi, Knight brought acting UK High Commissioner Fowler up to date, placing accent on positive line agreed with Ambassador Bunker and will also brief him re above.

48. Telegram From the Department of State to the Embassy in Pakistan¹

Washington, June 30, 1958—8:59 p.m.

3264. Department concurs in presentation made by Knight to Noon re American proposal. Department suggests, however, if both Ambassadors Langley and Bunker agree, that on some suitable occasion Ambassador Langley, without laboring point, might wish indicate to Mirza that, although Nehru interested in following up with Ambassador Bunker any development that might arise or any avenue that might offer itself for exploration, we believe that we cannot realistically expect Nehru prior Pakistan elections do more than continue present talks as to methods of procedure.

FYI only—Reason why Department believes it advisable, in interpreting to GOP nature Nehru's reply to President, to give slightly more weight to Nehru's apparent unwillingness to negotiate substantively until after Pakistan elections (as indicated second paragraph joint recommendation telegram)² is to protect USG's freedom of action re Kashmir issue in UN. Department, that is, does not want to give GOP any excuse to claim, if only GOP had fuller information re Nehru's reaction to package proposal, that GOP would have taken different course of action or timed its action differently and that GOP would expect, therefore, stronger support from USG than latter could give. End FYI.

Department has purposely avoided citing previous telegrams by number in order permit this series to be recommenced on limited distribution basis.³

Dulles

¹ Source: Department of State, Central Files, 690D.91/6-3058. Secret; Limit Distribution. Drafted by Bartlett and approved by Rountree. Also sent to New Delhi and repeated to London.

² Reference is to Document 46.

³ In telegram 37 from New Delhi, July 4, Bunker informed the Department as follows:

"I agree the chances seem to favor Nehru's going cautiously until he sees what Pakistan looks like after election. While this most probable Nehru is often unpredictable and I think we should not be too categoric in predicting he will do nothing but talk procedures until then. I believe he wants settlement and if for instance progress is made in connection with July waters talks in London, it might be possible to persuade Nehru time was opportune to consider substantive proposals on other Indo-Pakistan issues as well." (Department of State, Central Files, 690D.91/7-458)

49. **Telegram From the Department of State to the Embassy in Pakistan**¹

Washington, July 25, 1958—3:51 p.m.

224. Under urgent instructions Bottomley of British Embassy twenty-fourth delivered British Form Off memo re Indo-Pakistan relations² and asked for "initial" US reaction immediately in view probable discussions with Noon re this subject during forthcoming BP meeting London.

British memo summarized as follows: (1) progress re Kashmir at this stage "unrealistic," IBRD negotiations re canal waters delicate and should not be disturbed, pause in arms race would be worthwhile. (2) Noon should be sounded out at London³ jointly by UK and US "informally and noncommittally" re prospects achieving arms limitation agreement and meanwhile pending US letter to Nehru re package be deferred. (3) Line with Noon would be: (a) current GOP restraint re pressing Kashmir issue at UNSC appreciated, (b) continues be in GOP interest cooperate in package approach and hold off UNSC action, (c) we struck by possibilities of reducing tension by means arms limitation agreement of kind Noon had suggested Macmillan and we prepared explore this with Nehru in August, (d) we realize Pak domestic difficulties re Kashmir but believe deferment elections reduces urgency of going to UNSC, and (e) it in common interest for Noon hold present position at least another month during which time we would make every effort bring about serious negotiations between India and Pakistan starting with arms limitation. If necessary, we would add if sufficient progress not made during August we would understand GOP might be compelled raise Graham report in UNSC and in that event we would hope discuss with Noon how matter might best be handled before he committed himself to any precise course of action.

Subsequently Bottomley was informed Dept [has] no objection Brits sounding out Noon informally and noncommittally but we do not favor joint approach for following reasons: (1) in view other preoccupations during his brief stay London highly doubtful Secretary will have time address himself this matter (2) USG desires maintain its present position re package deal without unnecessary diversion (3) given present crisis in Mideast⁴ and indications frustrations in Paki-

¹ Source: Department of State, Central Files, 690D.91/7-2558. Secret; Priority; Limit Distribution. Drafted by Meyer and approved by Bartlett. Also sent to New Delhi and repeated to London and USUN.

² Not printed.

³ Noon was scheduled to be in London for the fifth meeting of the Ministerial Council of the Baghdad Pact, July 28–29. Dulles was scheduled to serve as the official U.S. observer at the meeting.

⁴ Reference is to the recent developments in Iraq and Lebanon.

stan reaching new peak any USG approach to GOP at this time suggesting curtailment military supplies would appear untimely (4) Macmillan's previous discussion with Noon and traditional Anglo-Pak relationship suggest Brits alone can take successful sounding (5) if British soundings show hope for approach along British-proposed lines, USG prepared coordinate such approach with package approach and consider role each country can play to achieve ultimate result desired.

Bottomley not happy at USG reaction since he apparently under strong instruction from London to secure USG approval for joint approach.⁵

Dulles

⁵ The Embassies in Karachi and New Delhi both concurred in the five points made in telegram 224. (Telegrams 240 from Karachi, July 26, and 234 from New Delhi, July 27; Department of State, Central Files, 690D.91/7–2658 and 690D.91/7–2758)

50. Telegram From the Department of State to the Embassy in India¹

Washington, August 1, 1958—6:48 p.m.

274. London tel 699² repeated Karachi 38, New Delhi 7, USUN 4. Request Delhi and Karachi views desirability our approaching Nehru on arms limitation and also our pursuing matter with Noon. Subject could be raised as suggestion for making progress on package proposal. Fruitful bilateral discussion initially on this matter could ease tension and facilitate agreements Kashmir and Indus Waters.

Timing of approach particularly difficult in light Nehru's reaction to Lebanon situation and composition summit meeting.³ We feel rais-

¹ Source: Department of State, Central Files, 690D.91/7–3158. Secret; Limit Distribution. Drafted by Robert W. Adams and approved by Bartlett. Also sent to Karachi and repeated to London and USUN.

² In telegram 699 from London, July 31, the Embassy reported that, during a discussion on that day, officials from the Commonwealth Relations Office revealed that Commonwealth Secretary Lord Home had spoken recently with Prime Minister Noon in London about the possibility of reaching an agreement with India on arms limitation. The officials expressed the hope that this issue could be weighed carefully in Washington with regard to the timing and manner of the planned U.S. approach to Nehru. "They strongly hope that US will find way to take approach they have made to Noon and move it forward slightly with Nehru." (*Ibid.*, 690D.91/7–3158)

³ Reference is to the proposed summit conference relating to the Iraq and Lebanon crises.

ing arms limitation or further pressing package proposal at this time unfavorable to package and our relations with Nehru but will appreciate Delhi's comments.⁴

Dulles

⁴ In telegram 294 from Karachi, August 4, the Embassy commented that an approach to Noon regarding arms limitation at that time would be "most unproductive." The Embassy noted that the package approach was still most desirable from Pakistan's point of view. (Department of State, Central Files, 690D.91/8-458) In telegram 304 from New Delhi, August 6, Ambassador Bunker expressed his agreement with the view presented in telegram 294 from Karachi. (*Ibid.*, 611.90/8-658)

51. Telegram From the Embassy in Pakistan to the Department of State¹

Karachi, August 20, 1958—5 p.m.

404. Re Embtel 393.² Further comments re probable Nehru–Noon meeting in mid-September follow.

Perhaps most significant is quasi-certainty that regardless of what may be agreed upon beforehand in the nature of an agenda, Noon with his well-meaning openness and impulsiveness bound bring up canal waters and Kashmir. Likewise, regardless of attempts beforehand to restrain him virtually certain Noon unable resist temptation refer to package deal and the US good offices on behalf thereof in both Karachi and New Delhi.

We entertain no illusions as to Nehru's willingness discuss substance package deal; furthermore we fully expect that recent events in the ME together with London Baghdad Pact meeting with its implications of additional military aid for Pakistan have only further increased Nehru's already expressed and apparently firm intent not to consider substance package deal until after Pakistan elections. However notwithstanding what precedes, we do believe that Pakistan Government's most difficult position at this time must be taken fully into consideration and helped insofar as possible.

¹ Source: Department of State, Central Files, 690D.91/8-2058. Secret; Limit Distribution. Repeated to London, New Delhi, Lahore, and Dacca.

² In telegram 393, August 19, Langley reported that Noon had proposed a meeting with Nehru for mid-September to discuss recent incidents along the Pakistan–India border. (*Ibid.*, 690D.91/8-1958)

Noon Gott [?] and President Mirza have acted with real courage and statesmanship regarding Kashmir. It was unpopular to postpone SC action from June until September. It was highly dangerous politically to take the decision to prevent freedom marchers of Karachi liberation movement from crossing border. Thus, none too strong or coherent Pakistan Government has knowingly accepted the political risks of providing an unscrupulous opposition with highly explosive ammunition since Kashmir issue closest to heart—if not to reason—of all Pakistanis. We cannot expect continuation of above restraint much longer, particularly as so far there has been no profit whatsoever to show for it.

One result of above situation is quasi-certainty that Pakistanis will press Kashmir in September session SC regardless of results of meeting with Nehru because of coming elections. Degree of virulence, however, will vary depending on outcome of meeting.

Other result will be pressure by Noon on Nehru at meeting re package deal and/or its principal components. General line of US action in response above situation that we may jointly wish to consider includes following: In Karachi we should exercise maximum restraint on Noon in particular and on Pakistan Government in general in its preparations for Delhi meeting. Specifically, we should urge Noon not attempt go into details package deal, but rather create atmosphere conducive future discussions overall problems. In New Delhi, we should urge Nehru and Indian Government to exercise moderation border dispute issue and, if possible, negotiate exchange of territory and enclaves which would give Noon something tangible return home with. Of course, if Nehru could be brought to take step in package deal context, be it even very small, such as agreement to talk procedure through third party (i.e., US), this would be most helpful. Above all, if package deal raised by Noon, we should urge that Nehru not reject out of hand or react abruptly in such manner as to jeopardize future decision. Of course we are assuming Nehru still desires keep door open.

Noon's failure achieve even glimmer of success likely contribute to hardening Pakistan position on Kashmir in SC. May also strengthen hand KLM supporters provide further grist for rising ML attacks, and enhance position rightist-communal groups as election date approaches. In a more specific respect, political situation and psychological atmosphere may so deteriorate as to kill chances ultimate success of package deal.

We ever seek painstakingly to regard situation in Pakistan as dispassionately as possible and in broader context of sub-continent as a whole. We do however wish to stress our view that we are presently

at a point when some satisfactions must be given Pakistan national pride—more important to most Pakistanis than their national economy—if serious results are not to ensue.

Langley

52. **Airgram From the Embassy in Pakistan to the Department of State**¹

G-85

Karachi, September 2, 1958.

For Rountree from Langley. I submit the following as my considered judgment as to an opportunity I believe the U.S. should not miss.

In the past year even the Government of Pakistan has progressively moved away from stout advocacy of its alliances with the United States, European nations, and Muslim members of the Baghdad Pact. Instead, the attractions of neutralism are being voiced more and more, in terms of Arab nationalism and Muslim unity, and as a consequence of increased U.S. aid to neutral India.

A great psychological blow to U.S. prestige in Pakistan occurred with the launching of Sputnik I. Subsequent launching of U.S. satellites and even the voyage of atomic submarines under the North Polar ice cap have not served to offset this psychological defeat. Had the first U.S. rocket to the moon miraculously succeeded, more lost ground would have been recovered, but in the meantime U.S. handling of its relations with India have convinced most Pakistanis that the U.S. rewards those who snub it, takes its sworn friends for granted, and is hesitant in forceful direct action in the cause of international justice.

It is impossible to satisfactorily explain to Pakistanis, at any level, why her ally, the U.S., should give extensive aid to India unconditionally. Pakistan, of course, thinks such aid should be contingent upon enforcement of United Nations resolutions which provide for demilitarization of Kashmir and a plebiscite by its people. The U.S. supported such resolutions and India long ago was committed to them.

The argument that the U.S. is trying to save India from Communism, that if India goes Communist Pakistan will also be doomed to that fate, and that despite the lack of stated conditions attached to U.S.

¹ Source: Department of State, Central Files, 790D.5-MSP/9-258. Secret; Limited Distribution. Also sent to New Delhi, Lahore, and Dacca.

aid implied obligations are being assumed by India which will wean it away from its obtuse neutralism to the point of ultimate settlement of its differences with Pakistan, fall upon deaf ears in Pakistan.

Pakistanis are not afraid of Nehru, but they think the U.S. is officially, as do a lot of Americans. Pakistanis believe that the U.S. coddles Indian Premier's inflated ego beyond all reason. So the U.S. loses respect in Pakistani eyes.

To Pakistanis Kashmir is an international issue towards the settlement of which the U.S., as a member of the UN, has defined obligations which transcend considerations for Nehru's false claims that Kashmir is an internal Indian problem. Some Pakistanis believe that no matter what the U.S. does, its aid to India has been another case of too little, too late, as in China, to save India from Communism or disintegration. Because they distrust and dislike Hindus so much, they are not inclined to care too much if this should be India's fate, even though they know in their hearts that would also mean the subsequent Communist subjugation of Pakistan itself, East Pakistan first, and then West Pakistan.

The fact that more recently President Mirza, at Ankara, endorsed U.S. action in going to the aid of Lebanon with troops; that Prime Minister Noon joined in the London declaration² and in press conferences here has defended Pakistan's foreign policy, and that H.S. Suhrawardy had defended the American position even more vehemently than the President or Prime Minister, is not reliable evidence of the temper and tone of this country today.

In the Pakistani press the relatively few editorial expressions favorable to U.S. foreign policies are mostly plants [*less than 1 line of source text not declassified*]. Against these are multiple antagonistic and even vicious jibes. That many of the latter are dishonest and unfair does not alter one fact, rather they tend to prove it—the U.S. is losing ground in its efforts to save democracy in the sub-continent.

While the old sores, Kashmir, the canal waters, border disputes, etc., continue to escape solution, both Pakistan and India are edging closer and closer to bankruptcy and Communism.

U.S. policies are based upon the assumption that if an attempt is made to be direct and realistic in dealing with India, Nehru will go into a huff and turn to Russia, or even China, for assistance. He might be so inclined, but the chances of the Communists giving India the kind of assistance Nehru's country needs is dubious in such circumstances. Indian bankruptcy would more quickly play into the hands of the Communists and they know it.

² See Document 317.

At the present moment the further negotiations for loans to India, not only from the United States, but from World Bank, Canada, the U.K., Japan, etc., create a different situation than existed only a few months ago, when the U.S. alone tried to bail India out with advances of \$325,000,000 in aid and loans. The U.S. now would not be alone in attaching conditions to the prospective further assistance of another third of a billion dollars, with two more thirds to follow successively six and 18 months from now. And India's condition is more desperate daily.

The overall problem is not India, or Pakistan, but the sub-continent, and should be treated as such. Pakistan, no less than India, is at a point where further assistance should be conditional if it is not to be money thrown away. Pakistan does not have so well-advertised a five-year plan as does India, but it has one. Like India's, the Pakistan five-year plan needs revision in the light of a lot of considerations. Such a revision is in process, because there are in Pakistan a very few in the government who are realistic enough to know their country is in bad trouble. This effort has been encouraged by the U.S. Embassy.

The distractions of Pakistan's first national election campaign make serious and concentrated attention to internal and external policies more difficult but shrinking foreign exchange reserves are helping to compel official consideration of these problems.

U.S. prestige is not so important in the sub-continent as is the latter's achievement of economic and democratic stability. The disproportionate military expenditures by both Pakistan and India in their present circumstances are dissipating much of the aid being given to each by the United States. Neither can be prevailed upon to reduce such economically wasteful expenditures, however, unless they can come to agreement on other issues between them.

The U.S. has attempted to bring them together secretly. This approach, we may as well admit, has not worked, nor is it likely to work unless some of the facts of international life are impressed upon Nehru. So long as we wait upon Nehru's every whim he is apparently going to let us wait. There is no compulsion working in favor of action by him to solve the joint issues between India and Pakistan because of the secret character of the approach we have attempted, without conditional aid.

There can be compulsion if India's creditors make the most of their current negotiations with him. He will want another third of a billion dollars by next March. He could be made to understand that unless he pursues the secret negotiations in earnest and with good faith, the creditors must at some point decide not to throw good money after bad. By sincere use of the offer of the services of the

United States, in secret, he could not only do a great service to the sub-continent, but he and the Pakistanis could win degrees of world respect neither of them at present enjoy.

The United States has everything to win and very little to lose in such an approach.

Langley

53. Telegram From the Department of State to the Embassy in Pakistan¹

Washington, September 5, 1958—3:57 p.m.

492. Karachi tel sent Dept 404² info London 53 New Delhi 71 and New Delhi tel sent Dept 490³ info Karachi 74 (not repeated London).

In light current information all sources and developments in Karachi since August 20 Dept believes it inadvisable US officials make any further direct representations to GOP or GOI officials re substantive aspects Noon–Nehru Sept 9 conference.

Believe Embassy Karachi has made adequately clear desirability of restraint (example Embtel 422⁴ info New Delhi 74). View Noon's recent statements in National Assembly and elsewhere re peaceful solution Indo-Pak problems little to be gained with him by further urging now.⁵ Dept accepts New Delhi's implicitly negative assessment value approaching Nehru as suggested Karachi 404. Therefore if GOI or GOP officials initiate discussion dealing with September 9 confer-

¹ Source: Department of State, Central Files, 690D.91/8–2058. Secret; Priority. Drafted by Soulen and approved by Rountree. Also sent to New Delhi and repeated to London.

² Document 51.

³ In telegram 490 from New Delhi, August 26, the Embassy noted that Nehru had no desire to discuss anything with Noon other than the border situation, since he lacked confidence in Noon and in Pakistani political stability, at least until the Pakistani elections. (Department of State, Central Files, 690D.91/8–2658)

⁴ In telegram 422, August 22, the Embassy reported that Acting Foreign Secretary Arshad Husain confirmed to Knight that the Noon–Nehru talks would begin in New Delhi on September 10. Knight also urged that great restraint be exercised during the talks in order to avoid either side taking an entrenched position which might prevent later progress. (*Ibid.*, 690D.91/8–2258)

⁵ In telegram 489 from Karachi, September 2, the Embassy reported that at the opening session of the Pakistani National Assembly on September 1, Noon urged moderation in discussing Indo-Pakistani problems since it was necessary to create a good atmosphere prior to his talks with Nehru. (*Ibid.*, 690D.90/9–258)

ence US officials should confine their remarks (with exception Karnafuli, see below) to expression sincere hope that talks will be successful and tensions eased thereby.

Above limitation does not apply to problem GOI–GOP interim agreement regarding Karnafuli dam flooding potential (Deptel sent New Delhi 462⁶ info Karachi 410). Karnafuli impinges on border problems and US (outside context September 9 conference) has made known to both Governments its deep interest in their reaching such agreement. Therefore our concern over continuing delays logically could be voiced in any discussion of Sept 9 conference and hope expressed that interim agreement will evolve from that meeting.

Dulles

⁶ Telegram 462, August 25, a joint Department of State–ICA message, asked whether India was prepared to reply to Pakistan's most recent note regarding the Karnafuli dam problem. (*Ibid.*, 890D.2614/7–1158)

54. Editorial Note

Prime Ministers Noon and Nehru met in New Delhi, September 9–11. The Embassy in New Delhi commented on the talks in telegram 609, September 11. (Department of State, Central Files, 690D.91/9–1158) The Embassy in Karachi commented on the talks in telegrams 586 and 601, September 12 and 15, respectively. (*Ibid.*, 690D.91/9–1258 and 690D.91/9–1558) On September 16, Knight called on Prime Minister Noon to discuss with him his meeting with Nehru. "While Noon not unduly optimistic," Knight reported, "and does not appear to believe his recent trip to Delhi has advanced solution of Kashmir, Indus waters and related basic difficulties with India, it is clear that he was personally pleased and grateful over welcome and considerateness shown him by Nehru." (*Ibid.*, 690D.91/9–1758)

In a letter of September 19 to Francis J. Galbraith, First Secretary of the Embassy in London, Bartlett offered the following assessment of the meeting between Noon and Nehru: "In line with our expectations but contrary to our hopes, the Noon–Nehru meeting does not seem to have brought the two countries any closer to settlement of the major disputes and it appears that we can expect little change in Indian attitudes before the Pakistan elections." (*Ibid.*, SOA Files: Lot 62 D 43, Package)

55. Telegram From the Embassy in India to the Department of State¹

New Delhi, October 9, 1958—4 p.m.

849. From Dillon.² Karnafuli Dam. I found considerable concern in Pakistani governmental circles, including Mirza, regarding future of Karnafuli project. After full discussion present situation with Embassies Karachi and New Delhi it became clear that we must find new approach. Most practical one seemed to be some sort of agreement between DLF and Pakistan that would permit us to proceed immediately with full financing of Karnafuli without prejudicing our relations with India. It is clear that holding up project further will do graver damage to Pakistan-Indian relations than proceeding now in absence of interim agreement between Pakistan and India.

Accordingly Ambassador Bunker and I went to see M. J. Desai at Commonwealth office today and told him that in view of Indian legal procedures which understandably would make it impossible to reach interim agreement with Pakistan for 6 or 7 months some other approach now necessary since our present construction contract running out and it necessary for DLF to make further final contract to complete dam. I said we much appreciated his statements to Ambassador Bunker that India had no wish to interfere with actual progress of work of dam. I then said we proposed enter into contract between DLF and Pakistan which would make available funds required to complete dam so that work could go ahead. As integral part of this contract we would obtain agreement from Pakistan that they would accept impartial arbitration of this particular problem and would agree to pay India whatever compensation found to be due (Embassy Karachi told me this would be satisfactory to Pakistanis and I have indirectly obtained same impression from Pakistani officials although had not informed them in advance of my approach to Desai).

Desai confirmed once again that India had no desire to hold up construction of Karnafuli and had no objection to our proceeding as outlined subject to one suggestion. Desai then said that India would much prefer that there be no mention of arbitration in agreement between DLF and Pakistan. He said Pakistan always wanted to arbi-

¹ Source: Department of State, Central Files, 890D.2614/10-958. Confidential. Repeated to Karachi.

² Under Secretary of State for Economic Affairs Dillon was in New Delhi for a brief visit as part of a trip to 11 countries in Europe, the Middle East, and South Asia. The purpose of the trip was to confer with U.S. Ambassadors and other senior U.S. officials regarding operations conducted under the Mutual Security Program, as well as on certain other major economic problems, and to meet with senior government officials of those countries for conversations on matters of mutual interest. He was also in New Delhi to attend the annual meetings of the IBRD and the IMF.

trate things. India on the other hand felt that ordinary inter-governmental negotiation should be used to the full and arbitration should only be last resort. In present case India would prefer clause requesting Pakistan to negotiate an agreement with India.

I told Desai that we had thought of arbitration merely to protect India but if he preferred we would be glad to substitute clause requiring Pakistan to agree to use its best efforts to reach fair settlement of differences on this subject with India. Desai said this would be fully satisfactory to India and it was agreed that we would proceed in this way. Even though this method provides considerably less protection for India than my original suggestion, apparently Indians prefer this because they dislike idea of arbitration which might be used in other matters; i.e., Kashmir.

I recommend that DLF proceed immediately to finalize agreement with Pakistan for full financing of Karnafuli project subject to GOP agreement to negotiate with India as outlined above. Ambassador Bunker concurs in this recommendation.³

Bunker

³ Bunker cabled his concurrence in telegram 856 from New Delhi, October 9. (Department of State, Central Files, 890D.2614/10-958)

At a meeting of the Board of the DLF on October 20, the Board agreed to proceed with a \$17.5 million loan to Pakistan for the Karnafuli dam project. In an October 24 letter to Robert B. Menapace, Acting Director of the DLF, Assistant Secretary of State for Economic Affairs Thomas C. Mann recommended that the DLF proceed to negotiate an agreement with Pakistan to finance up to \$17.5 million for the Karnafuli project. (*Ibid.*, 790D.5-MSP/10-2458)

56. Telegram From the Embassy in Pakistan to the Embassy in India¹

Karachi, October 21, 1958—4 p.m.

169. Subject: Package deal. Fundamentally new Pakistani Government should prove more satisfactory to deal with in that Pak army realistically recognizes it not equal to Indian military might.² This of

¹ Source: Department of State, Central Files, 690D.91/10-2158. Secret; Limit Distribution. Repeated to the Department of State. The source text is the Department of State copy.

² On October 7, President Mirza issued a proclamation which abrogated the Pakistani Constitution and proclaimed martial law. On October 27, Mirza resigned and was replaced as President by General Ayub Khan.

Continued

course salutary in that it should have dampening effect on past tendency political extremist to war-monger. However, above positive effect counter-balanced by weight which Pakistani military place on Kashmir from strategic viewpoint and by surprising degree sentimental feeling obtaining in military circles re "Kashmiri Muslim brothers". Other major restraining factor at this time is need for popular support on part of any regime, however authoritarian, and resulting practical impossibility for Mirza-Ayub to take any precipitous step which people might view as indication of unpatriotic weakness to India's benefit.

From long range viewpoint present internal set up in Pakistan provides us with mild encouragement re relations HIP with India and settlement outstanding issues even though we believe any US approach to Pak Government should be postponed for enough time to let dust settle a little more.

With view developing our thoughts as to where we go from here, would be most useful to have your assessment as to how recent Pak development may have affected Nehru's and GOI's basic opposition to any substantive negotiations with Pak "until after elections" and Pak internal situation stabilizes somewhat.

Langley

In telegram 1096 from Karachi, November 1, the Embassy offered its preliminary assessment of the new Pakistani Government's attitude toward Pakistani-Indian relations, especially the Kashmir problem. It suggested, in part, that for some time to come Ayub Khan and his colleagues would be deeply involved with martial law administration and overwhelmed with the complications of internal affairs, and Pakistani-Indian relations would accordingly be "more or less shelved, except for specific negotiations scheduled prior take-over such as canal waters meeting." (*Ibid.*, 790D.00/11-158)

57. Telegram From the Embassy in India to the Department of State¹

New Delhi, November 5, 1958—9 p.m.

1046. Reference: Embtel 1021.² Latest coup by Ayub seems setback to hopes we have had for some slow improvement Indo-Pakistan

¹ Source: Department of State, Central Files, 790D.5-MSP/11-558. Secret.

² In telegram 1021, November 3, Bunker reported on a conversation he had with Nehru on October 31. During their talk, the Prime Minister stated that India was very concerned with recent events in Pakistan. He added that Bunker should know that there was a feeling in some quarters in India that the United States must have known in advance of the October 7 coup. "I, of course, categorically denied any prior knowledge by US of October 7 events and any connivance therein," Bunker noted. "That Nehru

Continued

relations. GOI surprised by sudden expulsion Mirza (Desai had just informed Nehru he believed Pakistan political situation had become stabilized) and by Ayub's strong statements re Kashmir and canal waters. Prime Minister told Ambassador October 31 (G-183)³ he hoped Ayub's recent statements were not indication his considered policy toward India. Nevertheless, despite uneasiness re future relations with Ayub government, GOI has been restrained in comment, has not raised issue recognition, and is planning go ahead with Desai-Baig border talks and forthcoming canal waters discussions.

Following is Embassy's tentative assessment implications Pakistan coup re Indo-Pakistan-US relations:

1. GOI reactions (thus far cautious, tentative, restrained) probably best that could be expected. From Nehru down officials here have refrained from provocative statements which might affect Indo-Pakistan relations. Press was advised by MEA to act accordingly. This in accordance with conscious GOI policy which Nehru described to Ambassador (G-183) and which MEA followed after October 7 coup (Embtel 862).⁴ GOI restraint illustrated by fact that although Nehru has discussed Pakistan affairs in public at least twice since Ayub's October 30 press conference, thus far he has not replied to what Indians consider Ayub's belligerent threats of war.

2. Nehru and other government leaders, however, have been critical of Pakistan for its failure to make success of parliamentary democracy (Embtel 885).⁵ This criticism has probably resulted not only from genuine concern about a neighbor's abandonment of democratic institutions but also from desire to demonstrate why similar failure can't happen here. Nehru comment that military dictatorship not capable of achieving economic growth also probably intended to discourage those who might think it suitable for India. In future it likely that in order to defend their parliamentary system, Indian political leaders may feel obliged to make further invidious comparisons between political systems of India and Pakistan, with unfortunate effect on Indo-Pakistan relations. [*less than 1 line of source text not declassified*] report that Ayub has urged press to play up instability in

himself should have taken it seriously enough to speak to me about it, however, underscores the warnings as to consequence here of any implication of increased military aid to Pakistan in the near future contained my refelts." (*Ibid.*, 790D.5-MSP/11-358)

³ Airgram G-183, November 3, contained a memorandum of Bunker's October 31 conversation with Nehru, which was reported in telegram 1021. (*Ibid.*, 790D.5-MSP/11-358)

⁴ In telegram 862, October 10, the Embassy reported that an official in the Indian Ministry of External Affairs recently indicated that India was following a "wait and see" policy toward the new Pakistani Government. (*Ibid.*, 790D.00/10-1058)

⁵ In telegram 885, October 13, the Embassy summarized remarks made by Nehru during a press conference on October 12 with regard to recent developments in Pakistan. (*Ibid.*, 790D.00/10-1358)

India (Karachi telegram 1096 to Department)⁶ suggests Pakistan may similarly attempt to justify political system.

3. While there was brief period immediately after Mirza coup during which Indians cautiously hoped removal internal political pressures from GOP might facilitate settlement Indo-Pakistan dispute, this feeling seems to be giving way no [to?] renewed doubts. GOI, surprised by sudden ouster Mirza, is most concerned over Ayub's October 30 statement which widely read here as threat of war over Kashmir and canal waters dispute. Threat considered particularly disturbing because made by military dictator not subject to internal political pressures as were previous spokesmen for Pakistan policies. Considering unfortunate Indian tendency to exaggerate military threat of Pakistan, Ayub's comments have set back temporarily at least hopes for improving Indo-Pakistan relations. In view of fact Pakistan position on Kashmir is unchanged (Karachi telegram 1096 to Department) and GOI not likely make concessions at this time, we see little prospect for settlement Kashmir. GOI will probably ridicule demand for "democratic" plebiscite by authoritarian Pakistan Government. Prospect for solution canal waters dispute continues to seem much better than that for Kashmir, but GOI obviously does not consider that Ayub's October 30 statement on subject sets good stage for negotiations.

4. There is sizeable group here which believes that US and Pakistan military so closely related that US must have had foreknowledge of Pakistan coup and very likely conspired to bring it about. Some people believe if US would not stimulate Pakistan attack on India, we would at least condone it. Fact that Nehru thought these allegations sufficiently important to mention in conversation with Ambassador October 31 (Embtel 1021) indicates his concern about it. (According to [less than 1 line of source text not declassified] even Nehru believed US involved).

Long-range implications of Indian suspicions this regard agree discouraging. Embassy fears story of US involvement in Pakistan coup may become part of Indian legend re US-Pakistan "complicity". Future arms aid to Pakistan may be considered "pay off" of bribe to Pakistan military for subservience to US. Indians may accuse US of maintaining unpopular Pakistan Government (and one which disagrees with India) in power by strengthening Pakistan Army under guise of protecting nation from foreign communism. Because of myth that US-Pakistan military cooperation carries with it US control of Pakistan Army, prospect is that US influence will be seen behind most Pakistan foreign policies and US will share blame in India for purely Indo-Pakistan disputes. This nothing new, but condition may become intensified because of new circumstances.

⁶ See footnote 2, *supra*.

5. Indians with whom we have discussed Ayub consider him religious man and a nationalist, but not a fanatic. He is considered to have drive and energy, but little brains, has ambitions exceeding his capacity. Indian General, who knew Ayub in pre-partition army, commented that Ayub inclined take precipitate action without thinking of consequences. If this corresponds to GOI evaluation Ayub, it undoubtedly enhances uneasiness re Ayub's future politics. Both Foreign Minister Qadir and new Army Chief Musa enjoy good reputations here. (Aziz Ahmed considered very able but "bitterly" anti-Indian.)

Above comments tentative and based upon limited evidence (particularly upon local reaction to single press conference by Ayub). With GOI sitting back and watching, much depends upon behavior of Ayub and his new government.

Bunker

58. Memorandum of a Conversation Between the Secretary of State and the Indian Ambassador (Chagla), Department of State, Washington, November 25, 1958¹

SUBJECT

U.S. Military Aid to Pakistan

During his first (courtesy) call upon the Secretary, the Indian Appointed Ambassador, Mr. Chagla, after discussing India's belief in democracy and its economic race with China, noted that there seemed to be only one disturbing factor confronting American-Indian relations. This was United States military aid to Pakistan. This military assistance had compelled India in its own defense to spend constantly more and more upon its military forces.

The Secretary replied that it was his own feeling that India was spending really more than was justified by the actual amount of United States military aid to Pakistan. The Secretary noted, as an example, that Indian representatives had alleged that the reason why the Government of India had had to procure Canberra bombers was because bombers were being given to Pakistan. In fact, this was not the case.

¹ Source: Department of State, Central Files, 790D.5-MSP/11-2558. Secret. Drafted by Bartlett.

The Indian Ambassador asked whether the Secretary believed that the Government of India should take risks with its national security when President Ayub as military dictator of Pakistan was threatening the ultimate use of force in the settlement of Indo-Pakistan disputes. The Secretary said he had simply meant to stress that India's increased military expenditures could not really be justified by the extent of United States military aid to Pakistan.

The Ambassador repeated that in his opinion United States military aid to Pakistan was increasing the latter's military capabilities to an extent which required India in turn to expand its own forces. This might represent the Indian point of view, the Secretary replied, but in his opinion India was spending more than was required by aid actually being given to Pakistan.

The Ambassador reiterated that the Government of India simply could not take risks with its national security in view of the nature of Pakistan's feelings and declared intentions toward India. The Secretary asked whether this required that India be three times stronger militarily than Pakistan. The Ambassador replied that it was not just quantity that counted, but also the quality of armaments, such as modern bombers. One problem was, the Ambassador maintained, that the United States could not inform India just what armaments were being given to Pakistan. To this the Secretary replied that he could inform the Government of India that the United States Government had given no bombers to Pakistan. There had been no reason given by the United States to the Indians to spend vast sums in acquiring Canberra bombers from the United Kingdom. The Ambassador said that this was very welcome news and that he would immediately inform Prime Minister Nehru of it.

The United States, the Secretary continued, in associating itself with SEATO, had alone among the signatories and out of deference to India made it clear that so far as the United States was concerned, SEATO arrangements regarding aggression were concerned only with armed attack by international communism. The Secretary noted that he had also in New Delhi indicated that, if India should be attacked by Pakistan, the United States would support India. The Secretary believed that India's great fear of Pakistan was unwarranted.

The Ambassador asked again whether the Secretary would wish India to disarm in the face of Pakistan's bellicose statements. The Secretary replied that, as he had said, he did not wish to imply that India should disarm, but only that it should not spend too much on increasing its armaments. In this connection he noted that the United States had given Pakistan "defensive not offensive" weapons and certainly not special or advanced weapons.

As he was leaving the meeting, Ambassador Chagla said that he hoped the Secretary did not object to his having been frank. The Secretary replied that, contrariwise, he felt that frank exchange of views among friends was useful and noted that he too had been completely frank with the Ambassador.²

² In telegram 1283 to New Delhi, November 28, the Department summarized this conversation for the Embassy. It noted that the Secretary stated to Ambassador Chagla that the United States had given no bombers to Pakistan. The telegram then continued:

“Department officer present during conversation gained impression what Secretary said re bombers to Pakistan related not only to past but to future. Although in commenting to Indian Ambassador Secretary had in mind existing commitment to provide bombers in future, with delivery of five scheduled for early 1959, fact that Departmental officer misunderstood gives rise to possibility Indian Ambassador also misunderstood and will report to GOI to effect Secretary said US will not in future supply bombers to Pakistan.

“Ambassador should be aware of foregoing and in event question arises and suitable opportunity presents itself indicate to Nehru or appropriate GOI official that statement related to past and not to future, to which Secretary did not allude.” (*Ibid.*, 790D.5–MSP/11–2858)

59. Telegram From the Embassy in India to the Department of State¹

New Delhi, December 5, 1958—noon.

1236. Following is joint message from Ambassadors Langley and Bunker.

“Current talks in Washington on canal waters under Bank’s auspices are clearly of more than usual significance.² Gap between the two estimates has narrowed appreciably. Bank considers this to be time for a final effort. Both sides seem on whole anxious to reach a settlement. GOP now in better position to make agreement which GOI would consider firm.

“Purpose of this message is to suggest it is vitally important that we should be in a position to move into this matter rapidly and with a substantial contribution if the course of negotiations should make such action necessary. It seems clear that with best of good will there will be a substantial gap between the cost of any agreed solution and the contributions from the two parties plus the Bank. It may well be that

¹ Source: Department of State, Central Files, 690D.91322/12–558. Secret. Repeated to Karachi.

² These talks between the Indian and Pakistani delegations and the IBRD opened on December 3.

the capacity of US to intervene rapidly and decisively with the means to complete the financing of a settlement which seems to us acceptable might make the difference between success or failure of these crucial negotiations. Part of US assistance could be in form of PL-480 rupees.

"It is unlikely that there will ever be a reduction of the basic tensions in the subcontinent until there has been a firm agreement between India and Pakistan on some major problem. Conversely, if accord could be reached on a matter of such fundamental importance as Indus waters dispute, a bridge would have been built between the two countries which might well make easier progressive settlement of other problems. So far there is nothing solid in the way of agreement to which either side can point and this vacuum supports the skepticism of those on each side who urge that the other does not really wish to reach agreement.

"It seems clear that present talks provide a unique opportunity for progress in restoration of more stable conditions on this subcontinent and that their failure would be exceptionally unfortunate. This is an opportunity which may not come again for some time.

"We would urge therefore that the administration promptly do the necessary interdepartmental preparatory work and make necessary policy decisions to be in a position to intervene with help if it should be necessary to success of the negotiations".³

Bunker

³ In airgram G-459 to London, December 12, also sent to Karachi and New Delhi, the Department reported that based on long conversations with Iliff and the Pakistani and Indian chairmen of the Indus Waters delegations it believed that the present series of Indus Waters negotiations at the IBRD "will not lead to agreement." (Department of State, Central Files, 690D.91321/12-1258)

A meeting held in Bartlett's office on December 15 to discuss what action the United States could take to improve the chances of a solution to the Indus Waters problem reached the same conclusion. (Memorandum from Clarence S. Gulick (ICA) to John O. Bell; *ibid.*, 690D.91322/12-1658)

**60. Memorandum of a Conversation, Department of State,
Washington, December 22, 1958¹**

SUBJECT

Indus Waters Discussion

PARTICIPANTS

Mohammed Ali, Ambassador of Pakistan
Mr. Mueenuddin, Chairman, Pakistan Indus Waters Delegation
Mr. Donald D. Kennedy—NEA
Mr. Henry W. Spielman—SOA

The Ambassador and Mr. Mueenuddin called at their request. Mr. Kennedy opened the discussion by inquiring as to the status of the Canal Waters negotiations. Mr. Mueenuddin was not pessimistic, pointing out that both the Indian and Pakistan proposals were being discussed, and then proceeded to give his usual background history of the dispute. He pointed out that the Indian estimate of the cost of the Indian proposal might be in the order of \$200 million, but the Pakistan estimate for the same proposal was in the order of \$500 million. He estimated the cost of the Pakistan proposal at \$700 million. The Indian proposal involves the Mahru Tunnel without supplying four million acre feet of water from the Eastern Rivers. This proposal was unacceptable to Pakistan because it gives India a strangle hold on the economy of Pakistan.

The Pakistan proposal envisions meeting in part the total requirements from the three Western Rivers by building some storage on the Upper Jhelum and constructing new link canals, linking the Jhelum with the Chenab, and in turn, with the Sutlej Valley. It was his view that no agreement could be reached on either of these proposals and that the Bank in turn would make two alternate proposals, based almost entirely upon the Indian and Pakistan proposals. He thought it was unfair for the Bank to present only two proposals; that it should present only one or three. Mr. Mueenuddin suggested as a possible third proposal, which would also be the cheapest, that India supply Pakistan four million acre feet of winter water from the Eastern Rivers, and some summer water to be supplemented by smaller, new link canals. He then made a plea for Mr. Kennedy to discuss informally with Bank officials the Pakistani objection to the Indian proposal. Mr. Kennedy reaffirmed the Department's position of noninterference in the current negotiations.

¹ Source: Department of State, Central Files, 690D.91322/12-2258. Secret. Drafted by Spielman.

Mr. Mueenuddin said that his primary reason for calling on Mr. Kennedy was to ask for financial assistance in constructing irrigation works on the Indus system. He pointed out that time was essential because India was building the Rajasthan Canal and expected to have it in operation by 1962. Pakistan had to take steps to make additional water available in the event that India did take this drastic action. Because of Pakistan's difficult financial position the country was unable to begin work on these necessary projects.

In response to a question from Mr. Kennedy, Mr. Mueenuddin indicated the construction of the Guddu Barrage was essential to provide an assured supply of water for the area in Upper Sind now being irrigated by inundation canals. There was urgency about this project because the Bahkra Dam in India would be completed in the near future, and would remove considerable summer water from the Sutlej Valley. He then asked for assistance on a link canal between the Jhelum and the Chenab. This canal would be needed regardless of the outcome of the Indus Waters discussions, and therefore might be considered for financial assistance at the present time. The improvements on the existing link canals were given secondary importance.

Mr. Kennedy pointed out that all United States aid, including DLF for FY59, had been committed. He also indicated that even if supplementary appropriations were granted, it would be some time before this money would be available. He suggested that the Government of Pakistan indicate to the United States Government its order of priority for the Guddu Barrage, which is now listed among the DLF Priority C projects. Mr. Mueenuddin said he would so request his government to take this action. Mr. Kennedy then pointed out that the United States could not consider the link proposals unless the IBRD indicated its approval for such consideration. He would be willing to discuss the question with Mr. Iliff when appropriate.

Ambassador Mohammed Ali said that Mr. Mueenuddin was speaking for the Government of Pakistan on this request for aid.

61. Memorandum of a Conversation, London, January 19, 1959¹

PARTICIPANTS

Sir Henry Lintott, K.C.M.G., Deputy Undersecretary of State, CRO
 H.A.F. Rumbold, C.M.G., C.I.E., Assistant Undersecretary of State, CRO

¹ Source: Department of State, SOA Files: Lot 62 D 43, SOA General—1959. Secret. Drafted by Galbraith.

W.A.W. Clark, Superintending Undersecretary, Foreign Affairs Division, CRO
H.A. Twist, O.B.E., Head South Asian Department, CRO
R.P. Heppel, Head Southeast Asian Department, Foreign Office
H.S.H. Stanley, South Asia and Far East Department, CRO
J.J.B. Hunt, CRO
F.P. Bartlett, Director SOA, State Department
F.J. Galbraith, First Secretary of Embassy

SUBJECT

India–Pakistan Relations

Mr. Galbraith had arranged with Mr. Twist of CRO for an informal meeting and exchange of views between CRO and Mr. Bartlett of the Department who was passing through London on January 19. Mr. Galbraith had understood that Mr. Twist would arrange for the attendance at the meeting, along with himself and Mr. Stanley of the South Asian Department, of the Superintending Undersecretary, Foreign Affairs Division, CRO, Mr. Clark. Both Mr. Bartlett and Mr. Galbraith were somewhat surprised to find the meeting heavier in both rank and numbers than had been anticipated. They concluded that this was an indication both of the importance which CRO attached to the opportunity for an informal exchange of views on this subject, and of the weight which CRO wanted to give to the views which they were able to express to Mr. Bartlett.

Mr. Bartlett outlined for those present the current trends of US thinking on India–Pakistan relations, especially as they are affected by the problems of Kashmir, arms limitation and Canal Waters.

Mr. Bartlett began by stating that he thought it was pretty well accepted in the US that India was a member in good standing of the free world despite her neutrality (in fact there was the feeling in some quarters that it would not be desirable to change India's foreign policy even if it were possible in view of the heavy defense burdens which would evolve should such a change take place). He said it was no longer a very important or widely held view that Prime Minister Nehru was some kind of "fellow traveler or crypto-Communist". At the same time, the US wants to continue its close and friendly relations with Pakistan and, in fact, to improve those relations if possible, including closer cooperation in the Baghdad Pact. He said the US is having some difficulty, in the absence of any tangible and material contribution, to convince the Paks and others in the Baghdad Pact that we are offering anything new in our bi-laterals now under negotiation. The US has shown its sympathy for the situation in which the Pakistanis found themselves which brought them to install a dictatorial kind of government and we seek to encourage the Ayub regime to undertake land, fiscal and economic reform, looking toward an eventual restoration of civilian control. The US views fiscal and economic re-

form as of especial importance to the programs which it supports in Pakistan. Educational, and other types of social reform the US views as more of an internal problem.

The "package proposal" which the US had put forward last year had not had a very good reception from Nehru who had not felt that there was a sufficiently stable government in Pakistan to warrant an expectation that the three large areas of trouble between the two countries could be negotiated and an agreement reached. In retrospect, Mr. Bartlett thought, it seemed that Mr. Nehru was right. Although, Mr. Bartlett added, it could not be said that General Ayub would not have honored any agreements which might have been reached by former Prime Minister Noon. But it now seems that these things were going to be dealt with by the US Government, as it were in seriatim. This is the way it seems to be working out, Mr. Bartlett said.

With respect to Canal Waters, Mr. Bartlett said that he had talked to Iliff of the World Bank on two occasions just shortly before Mr. Bartlett had left the US. Iliff had seemed reasonably optimistic, in fact Iliff himself had said that he was more optimistic now than he had been at any other time. He had given Mr. Bartlett on a strictly confidential basis very rough outlines of the plan for settlement of the Canal Waters problem which the Bank plans to put forward now that the proposals and counter proposals of India and Pakistan have reached a deadlock. Mr. Bartlett said he had given a résumé of his talk with Iliff to Mr. Bottomley of the British Embassy in Washington who had doubtless communicated it to CRO. CRO officials present indicated that they had received Mr. Bottomley's report but that they were not clear on some of the figures. Mr. Bartlett said that the plan the Bank has now is to approach the US, UK, and Canadian Governments in about two months concerning their willingness to finance part of the foreign exchange costs. Mr. Bartlett said the US would not, at that time, probably be able to make any legal commitment but that we hoped to be able to express our sympathy for and our desire and intention to support the plan. He said the Bank plan will call for storage at Mangla and on the Beas at a total cost of approximately \$616 million of which approximately \$300 million would be in foreign exchange. Of this, the UK and Canada would be asked to contribute \$50 million, India \$50 million, the World Bank \$50 million and the US the rest. The total amount for India in rupees and in foreign currency would be \$212 million which would be the exact estimated cost of their Mauru Tunnel proposal. Mr. Bartlett said that Iliff hoped to have reasonably firm commitments from the US, the UK, and Canada and to be in a position to indicate the amount that the Bank would put up before broaching the plan to the Pakistanis and the Indians. He said the plan would, it was thought, be quite acceptable to the Pakistanis. The thought was that Eugene Black would be able to go to Nehru and

offer him a plan which was reasonably complete. In this way it was thought that Nehru could be persuaded not to gag at some of the details one of which involved the furnishing by India of some of its storage waters on the Beas. Mr. Rumbold questioned Mr. Bartlett about some of the figures which had been contained in Mr. Bottomley's report and Mr. Bartlett attempted to clarify them. Mr. Bartlett said, however, that he had only had a glance at the figures and was discussing them from memory and that Mr. Bottomley would soon have an opportunity to hear from Iliff the same sort of report that Iliff had given Bartlett. It was thought that perhaps out of this would come some additional details of what the Bank has in mind.

Mr. Rumbold also raised a question about the Bank's tactics of presenting its proposals to the Indians and Pakistanis only *after* financing had been arranged. Mr. Rumbold wondered if this would not suggest to the Pakistanis and the Indians that this plan was something that had been cooked up between the Bank and the countries financing a part of the cost. Mr. Bartlett stressed the importance of not divulging to either the Indians or the Pakistanis the fact that discussions had taken place before they had been informed of the plan. Sir Harry Lintott said that he tended to agree with Mr. Rumbold that these might not be the best tactics. But everyone agreed after some further discussion that both the US and the UK had been wise and correct in following a policy of strict "hands off" as far as the Bank's negotiations were concerned. It was concluded that this policy of strict impartiality and nonintervention should be continued. Mr. Bartlett said this could be the Bank's last attempt to settle the difficult Canal Waters problem.

Mr. Bartlett then discussed briefly the defense situation of the sub-continent. He said the US viewed the defense of India and Pakistan very much as the British had always seen it, namely as a unit. He said it made no sense at all for India and Pakistan to go on putting their substance into military defense aimed at each other and where their armed forces were mostly in the Punjab facing each other rather than disposed on their borders and in other locations which would constitute a defense of their countries. They should in fact plan their defense together and have some kind of agreement on mutual defense, with a neutral Afghanistan as a buffer. He said he had recently been reading Curzon's "Russia in Central Asia", written in 1889, which put forward a thesis that applied very much today. He said that discussion had been going on at working level in Washington about what the US should do in the way of additional military assistance for Pakistan. He said military assistance under the 1954 Agreement had mostly been completed and that what would be discussed next would be the level of assistance for fiscal years 1960, 61, and 62. He said it is current thinking at his level that the US should not add any more to the

divisions disposed by Pakistan but should in the future contribute only to maintenance (POL and training ammunition) and to a certain amount of modernization. It was the modernization that was difficult because of the question about where modernization left off and an actual increase in fire power began. But it was hoped that this could be worked out and the Pakistanis persuaded to freeze their forces at the present level. If this could be done and at the same time India could be persuaded not to buy any more military equipment which would increase its firepower, then you could have in the area what would amount to a de facto arms limitation agreement. If both sides could be got to agree that for a period of two or three years they would freeze their forces at the current level if the other one did, it could constitute the accomplishment of the second component of what had been envisaged under the package proposal on arms limitation.

There was some discussion of how this would be put to the Indians in a context which would not smack of interference with India's sovereignty. Mr. Bartlett said the gist of the idea was that both sides would be persuaded to take this unilateral action so long as the other side persisted in not adding to its armaments. At any time one side abandoned this freeze, all bets would be off. The idea seemed to be a new one to CRO officials and there was some headshaking among them but no further discussion of this subject.

Mr. Bartlett said the remaining problem was, of course, Kashmir. He said no one had any very good ideas on that. CRO officials jokingly commented that they had hoped that he would have brought the answer to that problem. Discussion ensued of just what the Pakistanis had in mind in threatening to take the issue into the Security Council at this time. Mr. Clark said CRO had been wondering if this was not purposely timed by Pakistan to coincide with the upcoming crucial juncture of the Canal Waters talks, to put a kind of pressure on the US and the UK to extend themselves financially for some more generous solution to Canal Waters than might otherwise have been possible. Mr. Bartlett said it seemed the worst possible timing to have going on when the IBRD would be trying to get the two parties together for agreement on Canal Waters, a Security Council debate, which would likely be acrimonious, between other representatives of the two countries in the UN. Both British and American representatives present agreed that the US and UK had identical policies of wanting to discourage the Pakistanis from introducing Kashmir in the next Security Council meeting and in encouraging instead resort to bilateral negotiations. It seemed that the Pakistanis should recognize that there would be little to be gained in forcing Kashmir into the Security Council and provoking a Soviet veto. Mr. Galbraith wondered if the Pakistanis were really as determined to put Kashmir before the Security Council next April as their Ambassadors in London and Washington had given

to understand. He said that latest reports from Karachi indicated that possibly Pakistan had merely been sounding out the US and the other governments and had not yet decided definitely on the next step. Sir Harry Lintott asked what possible motive there could have been behind the instructed approach by the Ambassadors if this were true. Mr. Galbraith said he supposed it would be just the new government's familiarizing itself with its various problems and possibilities.

Mr. Bartlett said he would be returning through London in about four weeks time after trips in India, Pakistan, Ceylon, and Afghanistan. Mr. Galbraith said that he would try to arrange a meeting with some of the people in CRO for a discussion of Mr. Bartlett's impressions upon his return.

Following the meeting with the officials named above, Mr. Bartlett and Mr. Galbraith paid a brief courtesy call on Sir Gilbert Laithwaite, Permanent Undersecretary in CRO. Sir Gilbert indicated his awareness of the report by Mr. Bottomley about Mr. Bartlett's talks with Iliff, and he expressed his appreciation for Mr. Bartlett's having made the information available to CRO. Sir Gilbert stressed perhaps even more than had been done in the previous meeting the importance of avoiding any discussion of Kashmir in the Security Council because of the likely devastating effect it would have on the promising negotiations which the World Bank was conducting on Canal Waters. Both Sir Gilbert and Mr. Bartlett agreed there was reason for some optimism, as expressed by Iliff, with his having got down to discussing amounts of dollars and acre feet, etc. Sir Gilbert said a Canal Water settlement was absolutely vital to Pakistan and he hoped they would recognize it. He said he hoped both India and Pakistan would also recognize the danger to their own interests of prejudicing their relations with the Bank. He said they not only relied on the Bank for part of the financing of the Canal Water settlement but for other financing of their economic development. Sir Gilbert was emphatic in stating that we should if necessary come down very hard on the Pakistanis to dissuade them from raising Kashmir at this time. He said a Canal Waters settlement would to some extent perhaps relieve the Kashmir issue, since it is because of the relationship of Kashmir to Pakistan's water supply that makes Kashmir so important to her.

**62. Memorandum of a Conversation, Department of State,
Washington, February 24, 1959¹**

SUBJECT

India-Pakistan Economic Relations

PARTICIPANTS

The Acting Secretary

Mr. Mohamed Shoaib, Pakistan Minister of Finance²

Mr. Zahiruddin Ahmed, Financial and Economic Minister, Embassy of Pakistan

SOA—Mr. Frederic P. Bartlett

Mr. Shoaib indicated that ideally, instead of being distrustful of each other and diverting scarce resources to unproductive military purposes, both India and Pakistan should actively collaborate for their mutual benefit in the economic field. This would benefit the subcontinent as a whole, but, as long as basic problems confronting the two countries remained unresolved, such collaboration would be impossible. Of these problems, Mr. Shoaib felt that the solution of the Indus waters question was even more important than Kashmir. In his opinion, the stalemate over Kashmir could continue, but the Indus waters problem simply had to be solved before India carried out its announced intention to use waters from the eastern rivers for its new Rajasthan irrigation development. Mr. Shoaib characterized the Indus question as one of "life or death" for Pakistan and hoped that the United States Government would use its good offices with India to see that the latter did not divert waters presently reaching Pakistan from the three eastern rivers until adequate replacement supplies were available from the three western rivers. Meanwhile, Mr. Shoaib believed, the IBRD's plans for a water scheme in the Indus were "moving along rather nicely". He hoped that countries friendly to both Pakistan and India would be able to help in any eventual implementation of the Bank's plans.

In general Mr. Shoaib felt that the United States, which had given so much help to both Pakistan and India, had a perfect right to speak frankly to both governments on questions concerning their economic development and the relationship of military expenditures to such development.

¹ Source: Department of State, Central Files, 690D.91322/2-2459. Confidential. Drafted by Bartlett and approved by Herter.

² Shoaib arrived in the United States on February 24 for a 3-week visit; see Document 345.

63. Telegram From the Embassy in Pakistan to the Department of State¹

Karachi, March 6, 1959—6 p.m.

2075. Indian High Commissioner Dayal called on me March 6. Dayal asked probing questions re bilateral.² I assured him bilateral merely reaffirmation promises previously made to GOP by US, including MDA bilaterals, joint resolution on ME³ and the UN Charter. I explained bilateral merely an executive agreement which precluded inclusion of anything not previously authorized by US Congress. Dayal finally asked \$64 question, did bilateral mean GOP would be more aggressive toward India. I told Dayal I felt the opposite might be true, in that bilateral was first new agreement between new GOP regime and US, and thus reassuring to new regime as to prior expressions by USG for its success.

Dayal mentioned his pending trip to East Pakistan and concern he felt over border skirmishes. Again, after numerous questions Dayal asked me key one, "Would the USG consider such skirmishes as acts of aggression?" I told Dayal USG had concluded as result of our own inquiries, including visitations by Embassy personnel to "front lines" in Patharia forest area, both sides were at fault, that skirmishes were between local constabularies and cease fire arrangements of convenience by local commissioners on either side, rather than a situation in which central governments were policing areas in dispute to assure peace and order.

Dayal also brought up matter his disappointment Baig–Desai talks re East Pakistan headwaters disputes. Dayal said he had felt Desai came to Karachi inclined to be reasonable. I replied only that we had ascertained both GOP–GOI versions of discussions and wired them to USG.

Altogether our talk lasted one hour during which Dayal subtly sought to sell me GOI point of view as well as to elicit my own and that of USG. Believe talk may have been effective in quieting Dayal's worst suspicions, especially as to convictions held by high officials GOP as to bilateral. I took occasion to point out to Dayal from quotations Foreign Secretary Baig's interview with press fact that Pakistan Foreign Office knew exactly meaning of joint resolution on ME and other authority for bilateral, including limitation under joint resolution

¹ Source: Department of State, Central Files, 790D.5/3–659. Confidential. Repeated to New Delhi, Dacca, Lahore, and Calcutta.

² Reference is to the bilateral agreement between the United States and Pakistan which was signed on March 5; see Document 346.

³ Reference is to House Joint Resolution 117, approved by Congress on March 7, 1957, and signed into law by the President on March 9 as P.L. 85–7. (71 Stat. 5)

to defense Baghdad Pact countries against Communist aggression only.⁴

Langley

⁴ On March 6, Nehru commented on the new U.S.-Pakistani bilateral agreement before both houses of the Indian Parliament. Copies of his statements were transmitted to the Department as an enclosure to despatch 1044 from New Delhi, March 12. (Department of State, Central Files, 790D.5/3-1259)

Documentation on India's reaction to the bilateral agreement is *ibid.*, 790D.5.

**64. Memorandum of a Conversation, Wellington, April 8, 1959,
6 p.m.¹**

PARTICIPANTS

The United States

Under Secretary C. Douglas Dillon
The Honorable J. Graham Parsons

Pakistan

Manzur Qadir, Minister of Foreign
Affairs

SUBJECT

Indian-Pakistan Relations, Afghanistan

The Foreign Minister called un-announced at Ambassador Russell's Residence after the afternoon session. He expressed surprise at Prime Minister Nash's² mention during that session that while he had the greatest admiration for Secretary Dulles, he did not always agree with him. Mr. Dillon indicated the difference of viewpoint was of long standing and was mainly one of theory rather than of practice but they understood each other well and Mr. Nash was not likely to act hastily.

Mr. Dillon expressed surprise at the Minister's rather strong remarks about Pushtoonistan and Afghanistan. The latter replied that at the time of the Baghdad Pact Conference³ he had surmised that Afghanistan had moved far towards the Communist Bloc. He now had positive confirmation of this.

¹ Source: Department of State, Conference Files: Lot 64 D 560, CF 1253. Confidential. No drafting officer is indicated on the source text. The source text indicates that the conversation took place at the residence of Ambassador Francis H. Russell. Dillon and Qadir were in Wellington for the fifth meeting of the SEATO Council, April 8-10.

² Walter Nash, Prime Minister of New Zealand.

³ Reference is to the sixth session of the Baghdad Pact Ministerial Council, held at Karachi, January 26-28.

The balance of the conversation related to Pakistan relations with India, principally the Kashmir and the canal waters disputes. He said Pakistan badly wanted agreement and was ready to settle on almost any basis particularly if third party initiative facilitated serious negotiations. He mentioned Pakistan's willingness to agree in advance to a solution of the canal waters dispute but that India was holding back wanting to have a look see first. It was clear that the Minister looked forward to the International Bank's proposal.

During this part of the talk he underlined the necessity for assuring to Pakistan the waters of the Chenab and he and Mr. Dillon both noted as politically unfeasible an Indian proposal to divert Chenab water against other compensatory water which would have the effect of giving India control of all the head waters of the various rivers.

On Kashmir the Minister inveighed against Indian procrastination and finally repudiation of its agreement to a plebiscite. He related the USSR's support of this unilateral repudiation of an international agreement to the USSR's unilateral repudiation of the Berlin Agreements, implying Indian support of the USSR was thus being procured. Here again he insisted that Pakistan would go far to accept a solution, almost any solution provided there could be "independence in the (Kashmir) Valley". He pointed out in this context that the present Government of Pakistan, as contrasted with former governments, was in a strong position and thus could effect agreements which from the domestic viewpoint might not have been possible before. It was thus important to seize this opportunity for settlements as it might not recur.

The Foreign Minister in the course of his remarks about India made a point of saying that Nehru did not want Communism in India but that he traded on the fears of others that India would go Communist. The Minister was sure that if the United States took a firm line with Nehru there was no danger he would turn to the Communists as he was too much afraid of them.

65. Memorandum of a Conversation Between the Assistant Secretary of State for Near Eastern and South Asian Affairs (Rountree) and the Indian Ambassador (Chagla), Department of State, Washington, April 13, 1959¹

SUBJECT

Loss of Indian Air Force Canberra, forced down in Pakistan April 10

Mr. Chagla called to see Mr. Rountree at his own request to convey to him the serious view taken by the Government of India of, as Mr. Chagla termed it, "the shooting down" of an Indian Air Force Canberra jet bomber by the Pakistan Air Force on April 10.²

Mr. Chagla based his presentation of the facts on the statement made to the Indian Parliament April 11 by Defense Minister V. K. Krishna Menon.³ Mr. Chagla left a copy of this statement, which is reproduced as an attachment to this memorandum.⁴

Mr. Chagla began his presentation by stating that India, too, had experience of wrongful overflights from neighboring territories, both from Pakistan and Goa, but that its answer had always been to give warnings, not to shoot down the planes. This was the case even when there were as many as seventeen violations of India's airspace across the ceasefire line in Kashmir in three months.

He then related the salient points brought out by Mr. Menon's statement. He said that the plane was unarmed, a fact which he claimed must have been known to the Pakistanis. He said it was on a routine operational flight, to photograph Indian territory in Himachal Pradesh and Kashmir. It must have strayed over Pakistan due to navigational error, which was easy to do at a height of fifty thousand feet. The Canberra was, Mr. Chagla said, only three minutes' flight from Indian territory when it was shot down by a Sabrejet fighter. He implied that his information was that no warning was given, but did not press this point when Mr. Rountree stated that Pakistan had reported that the pilot had been warned both by hand-signals and warning shots in front of the plane.

¹ Source: Department of State, Central Files, 790D.5491/4-1359. Confidential. Drafted by Rogers B. Horgan.

² This aircraft was shot down over Pakistan, approximately 25 miles southeast of Rawalpindi. The Embassy reported this incident to the Department in telegram 2287 from Karachi, April 10. (*Ibid.*, 790D.5491/4-1059)

³ In his statement, Menon characterized the Pakistani action as "unwarranted and contrary to international case and custom." (Telegram 2432 from New Delhi, April 12; (*Ibid.*, 790D.5491/4-1259)

⁴ Not printed.

Mr. Chagla went on to state that the incident proves that the arms which the U.S. gives to Pakistan for use against international communism can be used against India; in this case, arms which the U.S. had hardly finished turning over to Pakistan. Mr. Rountree interposed that Pakistan had possessed Sabrejets for some years. Mr. Chagla then asked, "What is going to happen? Peaceful countries don't shoot down planes."

Mr. Rountree noted that an incident of this sort detracts from the improvement in Indo-Pakistan relations which the United States desires and which Mr. Chagla himself seeks. Mr. Rountree expressed the hope that the incident will not impair the improved atmosphere between the two countries which we have noted recently.

Mr. Chagla wished to know whether the United States proposed to do anything about the incident.

Mr. Rountree pointed out that that would depend on all the facts in the case. He said that it was a very unfortunate incident. He added that it did not appear from the facts presently available that India had a particularly strong case in the light of the duty of Pakistan's Air Force to defend its own airspace.

Mr. Chagla persisted in his view that the shooting was unjustified in time of peace, and referred to Mr. Menon's statement that it was contrary to international law. He stated that he felt that the U.S. must do something, as a friend of India. He said that the common people in India felt unsafe, and that the more arms the U.S. gave to Pakistan, the more unsafe they felt. There had been requests in Parliament for action by the Indian Government, which Mr. Nehru had put off by saying that he was pursuing the matter through diplomatic channels. Mr. Chagla said that it would be helpful if he could report to his government that the U.S. would warn the Government of Pakistan concerning its actions. Mr. Chagla said that the U.S. has a right to do so, since the arms that the U.S. has given are a "trust".

Mr. Rountree then said that he was taking notice of Mr. Chagla's question as to whether the U.S. was going to take any action. He said he could not give an immediate answer, but rather that we must have an opportunity to consider the matter in the light of all the information available.

Mr. Chagla, with Mr. Rountree's agreement, then said that he would report to his government that they had discussed the incident, and that Mr. Rountree had stated that he considered the incident most unfortunate, particularly because he felt that better relations had recently been in evidence between India and Pakistan.⁵

⁵ On April 28, Bunker had an hour-long conversation with Krishna Menon, during which Menon gave him India's version of the Canberra incident. In telegram 2624 from New Delhi, April 28, Bunker commented on their talk as follows: "My feeling is that GOI does not want to blow up incident unduly, realizing it is not blameless in situation,

66. Memorandum From the Assistant Secretary of State for Near Eastern and South Asian Affairs (Rountree) to the Acting Secretary of State ¹

Washington, April 28, 1959.

SUBJECT

Your meeting with Mr. Eugene Black with Respect to the IBRD Proposal for Settlement of the Indus Waters Dispute

Discussion

Mr. Eugene Black, President of the International Bank for Reconstruction and Development, will be proceeding to New Delhi and Karachi to discuss with Prime Minister Nehru and President Ayub the Bank's proposal for settling the Indus Waters Dispute (Tab A).² The purpose of his call on you is to obtain some indication of the Department's attitude with respect to the Bank's Plan. In particular, recalling what Mr. Iliff said to you when he saw you before your departure for the SEATO meeting, Mr. Black will be desirous of obtaining some "sympathetic noises."³ The date and time of his appointment with you is not yet fixed.

The Bank proposal consists of three parts: (1) the preliminary engineering proposal, (2) the proposed financial arrangements and (3) a proposed International Water Agreement.

Briefly, the engineering proposal provides that India would have exclusive use, after a suitable lapse of time, of the waters of the three Eastern Rivers and Pakistan the use of the waters of the Western Rivers. The proposed financial arrangements (which Bank representatives have called illustrative) provide for financing of replacement works which would enable Pakistan to procure her water requirements formerly supplied by India, from the three Western Rivers, and would also provide for a certain amount of new development. The total cost of the Plan, estimated to amount to \$985 million, would be provided as follows: from the United States new dollar loans repayable in local currency and PL 480 rupees—\$606 million; United Kingdom, Australia and Canada in free foreign exchange grant to Pakistan—\$70 million; India in payment to Pakistan in free foreign exchange—\$200 million; IBRD—\$109 million. Of this total \$501 mil-

but strongly resents Pakistani shooting in view its own practice of not arming planes, and feels it must react to public sentiment and communist attacks." (Department of State, Central Files, 790D.5491/4-2859)

¹ Source: Department of State, Central Files, 690D.91322/4-2859. Secret. Drafted by Kennedy and Spielman on April 27 and concurred in by W/MSC and H.

² Reference is to an IBRD memorandum of March 26, attached to the source text but not printed.

³ No record of this conversation has been found.

lion represents the cost for works in Pakistan necessary to replace the waters which India will take and the balance of \$484 million of new development.

Recommendations

1. That you express your appreciation of the Bank's efforts and say the Plan appears to be a very sound one.

2. That you refer to your understanding that the Bank's financial plan is illustrative and indicate that there seemed to be some elements worth exploring. Points which might be made include: (a) India's \$200 million contribution might be made in Indian rupees as a line of credit for Indian products which Pakistan might procure instead of in free foreign exchange, (b) the Commonwealth countries' contribution of \$70 million might be increased and used to meet foreign exchange costs of construction projects instead of paying for the importation of goods to produce Pakistan rupees and (c) other countries of the Free World, for example, Germany, Japan and Italy might be encouraged to share in the foreign exchange contributions.

3. That you make the "sympathetic noise" which it is understood Mr. Black wishes before he goes to New Delhi and Karachi by saying that you personally were very sympathetic to the proposal, that you hope that Mr. Black will succeed in his mission and that you would be prepared to discuss with other high officers in the Government and with Congressional leaders the request to Congress for providing the United States' share of the necessary funds. Such a request, of course, would depend on several factors including agreement between India and Pakistan and contributions from other countries.

**67. Memorandum of a Conversation, Department of State,
Washington, April 29, 1959¹**

SUBJECT

IBRD and Indus Waters

PARTICIPANTS

Eugene Black (World Bank)

Mr. Iliff (World Bank)

Douglas Dillon—Under Secretary for Economic Affairs

¹ Source: Department of State, Central Files, 690D.91322/4-2959. Confidential. Drafted by Dillon.

I made the points to Messrs. Black and Iliff which were contained in paragraphs 2 and 3 of NEA's memorandum of April 28th.² Mr. Iliff replied that the idea of an Indian line of credit for Pakistan of \$200 million was a useful one which they would explore if necessary. He also agreed with our suggestion that Germany and others be approached at an appropriate time, the only difficulty being that the assistance would have to be either grant assistance or soft loans, which had not heretofore been made by these two countries. Regarding recommendation 2, Mr. Black said it was their plan to set up an Indus Basin Development Corporation. All funds would be contributed to that and there would not be any specific earmarking of funds.

Mr. Black further said he had talked to B.K. Nehru who had said the Indian contribution should be not less than \$100 million and not more than \$150 million. They had then mentioned to Mr. Nehru their idea that the Indian contribution should be \$250 million, which was the figure they would also put up to Prime Minister Nehru in Delhi, with a view of getting an eventual agreement of \$200 million.

Messrs. Black and Iliff seemed well satisfied with my statement that if they succeeded in reaching an agreement the State Department would be prepared to strongly support the proposals to obtain the necessary funds. They pointed out that a soft loan to India to be spent in Pakistan might create some problems for India, and grant aid might be a cleaner way of handling the matter. I said this would require special legislation, or at least a special title in the Mutual Security legislation for next year. I also said I did not rule out the possibility of special grant aid of this sort because I felt the Congress was quite favorable to this particular project.³

² *Supra.*

³ The Department summarized this conversation in telegram 2668 to New Delhi, May 1, also sent to Karachi. (Department of State, Central Files, 690D.91322/5-159) In telegram 2610 from New Delhi, April 29, the Embassy responded: "Climate on both sides appears to be becoming more hopeful for settlement. Timing Black visit excellent. Proposals should be those most conducive early agreement. This opportunity if missed not likely come again." (*Ibid.*, 690D.91322/4-2959)

68. Editorial Note

On April 30, at the 404th meeting of the National Security Council, Allen Dulles discussed Chinese actions in Tibet during his usual intelligence briefing. The memorandum of that discussion reads:

“The President said that the present situation should promote a better understanding between Pakistan and India. Pakistan had always maintained that it was arming because of the danger from Communist China, but Nehru had pooh-poohed this contention. Now, however, Nehru must recognize that Communist China is getting tough and might start trouble in Nepal next. The President thought that in this situation the U.S. should work quite actively toward promoting a better understanding between India and Pakistan. Secretary Dillon felt that the Indus Waters were the key to better relations between India and Pakistan. The State Department was working closely with the World Bank which had definite proposals on the Indus Waters; in fact, Mr. Black of the World Bank was just arriving in the area with proposals for settling the problem which would cost less than the previous proposals. Pakistan has already indicated that it will support the World Bank proposals, but India’s attitude is thus far unknown. The World Bank proposal would involve an expenditure of \$270 million by the U.S. Mr. Black has been told that an Indus Waters settlement is a matter of top priority for the U.S. and that the Department of State would do what it could to secure administrative support and necessary legislation for measures designed to settle the problem. Perhaps Germany can come into the picture and make a contribution. All the British Commonwealth countries except Canada have agreed upon a British Commonwealth contribution of \$70 million. Mr. Black is asking India to contribute \$250 million in the hope that he can get Nehru eventually to contribute \$200 million. Thus far India has said that its contribution should be between \$100–\$150 million. In conclusion Mr. Dillon said we should give our strong support to efforts to settle the Indus Waters problem. He felt the Indus Waters question was the key to the Kashmir question; if the Indus Waters problem could be resolved, the Kashmir question could probably be settled on the basis of the status quo.” (Memorandum of discussion by Marion W. Boggs; Eisenhower Library, Whitman File, NSC Records)

NSC Action No. 2073–b, which was approved by the President on May 4, recorded the President’s view “that in the present situation, particularly the deterioration in Indian-Communist Chinese relations as a result of the Tibetan revolt, the United States should make special efforts to promote better understanding between Pakistan and India.” This action was subsequently transmitted to the Secretary of State for implementation. (Department of State, S/S–NSC (Miscellaneous) Files: Lot 66 D 95, Records of Action by the National Security Council)

69. Telegram From the Embassy in Pakistan to the Department of State¹

Karachi, May 19, 1959—4 p.m.

2584. Reference: Embtel 2573.² Settlement of one of two major issues between India and Pakistan—longstanding Indus water dispute may at last be in sight as result IBRD President Black's just concluded visit to subcontinent where he presented Bank's "last ditch" plan. Before departing Karachi last night, Black issued statement saying he considered talks in Delhi and Karachi "very successful", declaring "we have succeeded in establishing principles acceptable both governments that afford firm basis for reportedly final settlement."

In conversation with me evening of departure, Black and Iliff both confirmed that they "very encouraged" and optimistic that settlement in sight. During Delhi visit Bank team conceded reduction GOI payment to Pakistanis from \$200 million to \$175 million. Major concession to Pakistanis was agreement to shift location one storage site to Indus which will increase costs by something in excess \$100 million. However, Iliff said Bank had included in plan some \$50 [million] padding and actual increase foreign exchange costs for new site only about \$20 million.

Pakistanis also agreed not to object to Indian's building hydroelectric works on upper reaches western rivers, but no diversion to be permitted. Pakistanis willing permit construction works by India in Indian portion Kashmir "without prejudice claims on Kashmir" and GOI agreed to Mangla dam which partially in Azad Kashmir also "without prejudice" Indian claims.

Black noted in public statement that he returning to "firm-up with friendly governments the amount of financial aid they prepared extend." Hopeful that within two months Bank can invite Indian and Pakistan representatives to meet with Bank to work out international water treaty. Iliff told me that Bank expected remain in picture till works completed. Will control letting of all contracts and will insist on international bidding. Last feature may operate to advantage of GOI since they may be in position provide low cost cement and, after year

¹ Source: Department of State, Central Files, 690D.91322/5-1959. Secret; Priority. Repeated to New Delhi, Lahore, London, Canberra, Ottawa, Dacca, and Peshawar.

² In telegram 2573, May 18, the Embassy reported that Black and Iliff arrived in Karachi on May 16 for talks on the proposed canal waters settlement. During dinners for the IBRD delegation on May 16 and 17, Black informed Langley that he was very encouraged by his New Delhi visit and expected that the one or two remaining issues in dispute could be resolved during discussions with the Pakistani delegation. (*Ibid.*, 690D.91322/5-1859) Black and Iliff had been in New Delhi for talks with the Indian delegation May 12-16.

and half, may even be able export steel. Bank will also act as referee in any disputes arising during construction but arbitration ruled out by India.

GOP also issued press release May 18, stating that Pakistan had informed Bank that it will go forward on basis plan, and hopeful “friendly countries, US, UK, Canada and Australia” will assist in financing. Statement stressed fact all works will be under Pakistan control and “will secure independent irrigation system free from threats foreign interference.” Privately Pakistanis appeared genuinely and deeply relieved at Bank’s success in obtaining promise from GOI that water will not be diverted until replacement works operating.

In conclusion, I asked Iliff what factors he believed had influenced GOI to agree to plan. Iliff replied that foremost was probably Indian desire get something done on protracted dispute and move ahead with construction. Contributing factors in Iliff’s view were Tibet events and also relative respect for present Pakistan Government in contrast unstable predecessor. Iliff will be back in Washington about May 22–23 and said he would give full report to Department.

GOP and Bank press releases being pouched.³

Langley

³ These press releases were transmitted to the Department of State in despatch 1054 from Karachi, May 20. (*Ibid.*, 690D.91322/5–2059)

70. Memorandum From the Operations Coordinator (O’Connor) to the Assistant Secretary of State for Near Eastern and South Asian Affairs (Rountree)¹

Washington, May 20, 1959.

For your information or action, there is quoted below an excerpt from the preliminary and informal notes of U/OP on the OCB luncheon meeting of May 20:²

¹ Source: Department of State, SOA Files: Lot 62 D 43, Package. Secret. Copies were sent to P, W/MSC, IO, E, and IRA.

² The full text of the preliminary notes is *ibid.*, OCB Files: Lot 62 D 430, Preliminary Notes.

"Indo-Pakistan Disputes

"At a previous meeting, Mr. Murphy informed the OCB that a thorough study is being made by the Department for means by which the U.S. may assist in resolving outstanding Indo-Pakistan disputes and that OCB assistance would not be fruitful pending completion of the Department's own examination and later consultation with certain other U.S. agencies.³

"At today's luncheon meeting, Mr. Murphy quoted portions of the Embassy Karachi telegram which cited IBRD President Black's description of his Delhi and Karachi talks as very successful.⁴ He said the Embassy thought that settlement of the Indus water dispute may be in sight. Mr. Murphy cited this advance in the Indus water problems as evidence of the close and continued attention which has been given to the Indo-Pakistan disputes by the Department."

Jeremiah J. O'Connor

³ Reference is to the OCB luncheon meeting of May 6. Preliminary notes of that meeting are *ibid.*

⁴ Reference is to telegram 2584 from Karachi, *supra.*

71. Telegram From the Embassy in India to the Department of State¹

New Delhi, May 21, 1959—6 p.m.

2912. In paying farewell call on Prime Minister May 20 before going on home leave, I said that there were number of matters that I would like to discuss with him before departing, chief among them being matter of most concern to me, state of Indo-US relations (other items reported separately).

Prime Minister replied that he felt that Indo-US relations were good; only thing that disturbed them from time to time was matter of our military assistance to Pakistan. He said GOI had recently received information that we had supplied four hundred amphibious vehicles to Pakistan and that these obviously could not be used against Russia. Sometime ago, probably before he had become President, General Ayub had referred to matter of "riverine defense". This, of course, could only mean India, and amphibious vehicles could only be used in

¹ Source: Department of State, Central Files, 611.91/5-2159. Secret. Repeated to Karachi.

such context. Prime Minister observed that actually often best way to strengthen a country militarily was to build up its economy and thus to form strong base on which moderate military organization could be supported. Other than this matter of military aid to Pakistan, Prime Minister thought there were no problems between India and US.

He observed that Mr. Black's visit had been fruitful and seemed greatly pleased at progress which had been made in talks. I remarked that Mr. Black had told me of his (Prime Minister's) helpful and constructive attitude. I hoped that if canal waters question were solved this might lead to the solution of other problems. Prime Minister said that this would be big step and perhaps one thing would lead to another. He then referred to what he called "silly and useless" border incidents which were constantly taking place and worsening relations between two countries. Good deal of border trade which had in past been useful to both countries was being held up. Border was being demarcated, though process was going rather slowly, and by mutual agreement disputed areas had been excluded. Aside from this matter of border trade, however, return of overall trade between India and Pakistan could be tremendously helpful to both countries.

I took occasion here to mention to Prime Minister Ambassador Langley's estimate of General Ayub as being sincerely desirous of improving Indo-Pakistan relations and of bringing about peaceful solution of problems which are troubling them. I added that Ambassador Langley felt that General Ayub had grown in stature and in sense of responsibility during his tenure as President of Pakistan, and that in spite of an occasional statement in press conference in answer to a difficult question which may have sounded hostile, General Ayub was sincere in his desire to come to an understanding with India.

Bunker

72. Editorial Note

On May 28, at the 408th meeting of the National Security Council, the Council discussed U.S. policy toward the South Asia region. During the discussion, Acting Secretary Dillon raised the question of U.S. support for the proposed Indus Waters settlement, recently negotiated by the IBRD. The memorandum of this discussion is printed as Document 2.

On June 1, IBRD Vice President William A. B. Iliff met with representatives of the United States, the United Kingdom, Canada, Australia, and New Zealand to discuss his recent negotiations in India and Pakistan. Kennedy and Bartlett represented the United States at the meeting. Iliff noted that India and Pakistan agreed in principle with the Bank's proposal for a settlement of the canal waters dispute and said that he had called the meeting in order to discuss informally the IBRD's May 27 amended plan for a settlement of the dispute. (Memorandum of conversation by Bartlett; Department of State, Central Files, 690D.91322/6-159)

73. Telegram From the Embassy in India to the Department of State¹

New Delhi, June 2, 1959—3 p.m.

3050. Rountree from Brown. Reference: Deptel 2952 sent Karachi 2848,² repeated information London unnumbered; Karachi tel 2662 to Department,³ 444 to New Delhi, repeated information London unnumbered. Ambassador Bunker prepared to discuss general question military part of "package" when he arrives Washington.⁴ In meanwhile I do not believe present is moment take action this matter vis-à-vis Indians, for following reasons: (1) unless we miss our guess Dalai Lama and Tibetan question have not ceased to plague Nehru and so it would seem wise allow sometime for possible new developments from this quarter; (2) Canberra incident not yet dropped, as shown by Nehru's press conference statement (Embtel 2837)⁵ and report of second Indian note to GOP demanding compensation; (3) Indus Waters settlement has not been wrapped up yet and in my opinion should be accorded first priority of treatment, with nothing being done which might risk upset of promising disposition both sides; (4) except for seventh to tenth June Nehru will be travelling until middle of month when he returns from visit to Kathmandu.

¹ Source: Department of State, Central Files, 790D.5-MSP/6-259. Secret; Priority. Repeated to Karachi and London.

² Document 355.

³ See footnote 6, Document 355.

⁴ Bunker was scheduled to arrive in the United States in early June for approximately 2 months of home leave and consultations in Washington.

⁵ Dated May 15. (Department of State, Central Files, 791.13/5-1559)

Re method of approach if, as and when you Ambassador Langley and we agree moment is propitious, if this is before Ambassador Bunker's return from leave, I suggest approach be made to Chagla at appropriate level in Washington and simultaneously to Pillai and then Nehru here by me.

Brown

74. Telegram From the Department of State to the Embassy in India¹

Washington, June 13, 1959—8:10 p.m.

3170. FYI Only. In conversation with Black, President World Bank, on Bank's proposal for settlement of Indus Waters question, Acting Secretary said he was highly gratified with the results achieved and congratulated Black on the outcome.² He added that he understood the reason for suggesting that such a large part of the aid be in grant form and was in favor US putting up aid in form and amounts proposed. Black explained the need for having assurances from friendly governments re financing for London meeting scheduled early August. The Acting Secretary said he was prepared to try and work out assurances of a "best efforts" kind.

An aide-mémoire for GOP would be prepared covering this and would be discussed with Bank officials in draft form.

Dillon

¹ Source: Department of State, Central Files, 690D.91322/6-1359. Secret; Limit Distribution. Drafted by Kennedy and approved by Dillon. Also sent to Karachi.

² Rountree briefed Dillon for his meeting with Black in a memorandum of June 4. (*Ibid.*, 398.14/6-459)

75. **Memorandum of a Conversation Between the Under Secretary of State for Political Affairs (Murphy) and the Ambassador to India (Bunker), Department of State, Washington, June 19, 1959¹**

SUBJECT

U.S. Relations with India

Mr. Murphy opened the substantive portion of the conversation by asking the Ambassador about the new chancery building in New Delhi. Ambassador Bunker replied that the building was a very beautiful one and was a good one from the point of view of utility although it was just barely big enough to accommodate the present staff. He added that the building lacked a few facilities which he felt should have been included for the money that had been spent on it but said that Prime Minister Nehru who had attended the opening ceremony had replied to a question in Parliament that he had been enchanted by the building. Mr. Bunker reported that during the first few days after the building had been opened, it had been visited by great crowds of Indians and that they were still coming on week ends to look at it.

Mr. Bunker said that when he and Mrs. Bunker had arrived in New Delhi, the servants' quarters for the new staff housing had almost been completed but that he and Mrs. Bunker had found them to be shamefully inadequate, since they provided only one room per family, communal bathing facilities and inadequate cooking facilities with no flues. He said that after a year of fighting, he and Mrs. Bunker had been able to secure an additional appropriation of \$104,000 from FBO for the construction of a second story on the servants' quarters. As a result, the quarters are now adequate and had been commented upon favorably by the Prime Minister and Mrs. Gandhi.

In reply to a question from Mr. Murphy, the Ambassador stated that Prime Minister Nehru was keeping up a terrific pace. He said that the Prime Minister was in his office six and one-half days each week, leaving it at 1:00 on Sunday and that he does most of his dictating between the hours of 9:00 P.M. and 1:00 A.M. In addition, he sees many callers each day and participates in innumerable dedication ceremonies and other public functions.

Mr. Murphy inquired whether the Prime Minister still harbored any thoughts of resignation. Ambassador Bunker replied that Nehru had got out of his system any thought of resignation or retirement and would undoubtedly continue to hold the Prime Ministership until the

¹ Source: Department of State, Central Files, 611.91/6-1959. Confidential. Drafted by Fleck. For additional documentation on Bunker's consultations in Washington, see Documents 232-234.

1962 elections if his health held out. The Ambassador referred to a conversation which he had had with Dr. Radhakrishnan² at the time of Nehru's most recent threat of resignation. Dr. Radhakrishnan had indicated that in putting the question up to the Party, Nehru had indicated that he was not sincere in his talk of resignation. Dr. Radhakrishnan had also told Ambassador Bunker that when Rajkumari Amrit Kaur³ had come to him and urged him to step into the breach, he had replied that no vacancy existed.

Ambassador Bunker referred to his farewell call on the Prime Minister, during which Mr. Nehru stated that in his opinion Indo-U.S. relations were good and that the only thing that marred them from time to time was U.S. military aid to Pakistan. Mr. Nehru had gone on to say that, as an example, he had only recently heard that the U.S. has given to Pakistan 400 amphibious vehicles and that obviously such vehicles could not be used against the Soviet Union but only against India. Ambassador Bunker told Mr. Murphy that he had subsequently learned that this report was not true and that we had actually given 40 landing craft to Pakistan. He said that Nehru, being a very vague sort of person, may have distorted the information given him by his intelligence officers. The Ambassador added that General Thimayya⁴ had informed him that the Indian intelligence units could buy any bill of lading covering a shipment into Karachi for 100 rupees. Thimayya had gone on to say that the Indian Government, therefore, was aware of the nature and quantity of our military aid to Pakistan. The Ambassador added that General Thimayya had told him that in comparing the Indian armed forces with those of Pakistan, the question of quality should be taken into account as well as that of quantity. Thus, while it might be true that India had numerical superiority, the modern equipment and training supplied to the Pakistani armed forces by the U.S. should be taken into account. General Thimayya had claimed that the 88 millimeter guns supplied by us to the Pakistanis were of superior range to the 25 pounders of the Indian army. Mr. Murphy commented that India certainly had superiority in the air. Ambassador Bunker said that General Thimayya had admitted this fact but had argued that any conflict between India and Pakistan would be settled not in the air but on the ground. Mr. Murphy asked about the size of the Indian armed forces and Ambassador Bunker replied that the army had approximately 400,000 men and the Navy, 25,000 men. He said that the Indian Air Force had about 900 planes,

² Sarvepalli Radhakrishnan, Vice President of India.

³ Member of the Indian Council of States.

⁴ General Kodandera Subayya Thimayya, Commander in Chief of the Indian Army.

half of which were jets including about 73 Canberras (minus the one recently shot down by the Pakistan Air Force), some British Vampires and some French Mysteres, and Ouragons.

Mr. Murphy informed Ambassador Bunker of the weekly luncheons held by the Operations Coordinating Board and stated that at the latest one the subject of what the U.S. can do to lessen Indo-Pakistan tensions had come up for discussion⁵ as it had at several previous luncheon meetings. Mr. Murphy said that at the most recent meeting, he had suggested that the OCB invite Ambassador Bunker to attend the next luncheon meeting to participate in a discussion of the question. The Ambassador expressed his gratitude and his regret that he would be unable to accept this invitation because of prior commitments in New York.

Ambassador Bunker then informed Mr. Murphy that he had discussed the question of Indo-Pakistan tensions and what the U.S. could do to alleviate them with both the President and Mr. Gray.⁶ He stated that he had indicated his belief that our greatest hope lies in facilitating a successful solution of the Indus waters question. Mr. Murphy asked the Ambassador whether he shared Mr. Eugene Black's optimism concerning the prospect of final agreement by India and Pakistan to the most recent proposal of the IBRD. Ambassador Bunker replied that he did but that he believed that we should wait until the present negotiations over the Bank proposal were further along before attempting to discuss with the Indians the possibility of tackling any of the other unresolved questions between the two countries. The Ambassador added that Mr. Nehru had also appeared to be optimistic concerning the Indus waters negotiations and had predicted that if final agreement were reached, the atmosphere might be sufficiently improved so that some further step in relieving tensions might be possible. The Ambassador added that Mr. Nehru indicated that such a further step might be the rationalization of trade between the two countries.

Ambassador Bunker said that since his arrival in Washington he had learned that our Embassies in Karachi and New Delhi had been asked to comment on the desirability of approaching the governments of India and Pakistan in regard to some form of arms limitation. The Ambassador said that he had given his own reaction to this suggestion to SOA officers before reading the replies from the two Embassies because he did not wish his reaction to be influenced by those replies.⁷ His reaction, he told Mr. Murphy, had been that while the goal of achieving some form of arms limitation in South Asia was a desirable

⁵ Reference is to the May 20 meeting; see Document 70.

⁶ No record of these discussions has been found.

⁷ See Document 73 and footnote 6, Document 355.

one, he did not believe that the time was yet ripe to approach the Government of India on this subject. He felt that the U.S. bilateral pact with Pakistan and the Canberra incident were still too fresh in the minds of the Indians. He also believed that this subject would have to be broached in a very delicate manner to Mr. Nehru. Furthermore, he believed it would be wise not to do anything which might divert attention from or interfere with the Indus waters negotiations.

Mr. Murphy asked the Ambassador about the Indian reaction to recent events in Tibet and the Ambassador replied that the Indian reaction had been very strong but that we should not expect the Tibetan events or any other similar incidents to divert the Government of India from its firm policy of non-alignment. Mr. Murphy agreed but asked Ambassador Bunker whether Mr. Nehru's attempt to secure a reconvening of the ICC in Laos was not an attempt on Nehru's part to assuage in some small measure the Chinese Communists, following his rather strong statements against them during the Tibetan crisis. Mr. Murphy stated that some of the statements made by Mr. Nehru in his recent letter to UN Secretary General Hammarskjold on this subject appeared to him to be rather bad from our point of view. Ambassador Bunker stated that he had not seen the Nehru letter. At Mr. Murphy's request, Mr. Fleck stated that he would see to it that a copy was made available to Ambassador Bunker.

Mr. Murphy then asked for the Ambassador's opinion of recent events in Kerala. Ambassador Bunker then reviewed the two years of Communist control of the state since the Communists came to power in the 1957 general elections. He stated that he thought the Congress high command had been correct in following a policy of permitting the Communist government to remain in office to commit mistakes and to demonstrate to the people of the state that it was unable to fulfill its campaign promises. The Ambassador added that he believed the current agitation in Kerala for the overthrow of the Communist Government was premature inasmuch as the Congress Party in Kerala was not yet able to form an alternative government. However, he said the Congress had been caught up in the popular resentment against the education bill. He said that there was some hope that the new President of the Kerala Pradesh Congress Committee, Mr. Sankar, would be able to reorganize and revitalize the Kerala Congress.

The Ambassador also stated that he felt that Mrs. Indira Gandhi was a considerable improvement as President of the Congress Party over her predecessor, U.N. Dhebar. The Ambassador said that Mr. Dhebar, like a good many other Indian politicians, had inherited the philosophy of non-violence from Gandhi but did not possess Gandhi's political acumen. He said that the Congress Party was suffering from many of the ills which commonly beset a political party which has been in power for a long time. In spite of these weaknesses, the

Ambassador continued, the Congress Party's popularity, as measured by the results of the 74 parliamentary by-elections which had been held since the 1957 general elections, had not materially decreased. In fact, he added, the percentage of popular vote polled by the Congress in these by-elections was greater than that which the Party had obtained in the general elections. The Ambassador concluded by saying that he was somewhat more optimistic about the outlook for India than some other observers tended to be.

76. Letter From the Acting Secretary of State to the Assistant Secretary of the Treasury (Upton)¹

Washington, June 19, 1959.

DEAR GRAYDON: As suggested in your letter of June 8,² the stage has now been reached in the discussion of a solution of the Indus Waters problem where priority consideration should be given to means for financing the implementation of the solution. In case you have not yet seen the text, I am enclosing two copies of the IBRD memorandum³ setting forth the understandings on an Indus Waters settlement reached by Eugene Black with the Governments of India and Pakistan in the course of his recent discussions with Prime Minister Nehru and President Ayub.

These understandings, as noted on page 8 of the memorandum, call for a meeting of representatives of the two Governments in London during the first week of August to discuss agreed agenda items. Meanwhile, as set out in paragraph 14, the Bank is desirous of discussing the Amended Financial Plan with representatives of friendly governments and of obtaining "the firmest assurances possible in the circumstances, that financial assistance in the amounts and of the nature contemplated will be forthcoming."

You will note that the United States foreign exchange contribution in the amended plan remains at \$278 million, but whereas the whole amount was originally proposed as DLF loans to the two countries, \$177 million is now suggested as a grant to Pakistan.

¹ Source: Department of State, Central Files, 690D.91322/6-859. Secret. Drafted by J. Wesley Adams and cleared with NEA, ED, and W/MSC.

² Attached to the source text but not printed. It requested that the Treasury Department be kept informed of developments relating to the Indus Waters negotiations.

³ Reference is to the IBRD memorandum of March 26, not printed.

I have had a preliminary discussion of these amended proposals with Mr. Black⁴ during which he stressed the need of having assurances of financial aid from friendly governments prior to the London meeting in August. I indicated to Mr. Black my personal approval of the suggested contribution from the United States, both in form and amount, and said I would try and work out assurances of a "best efforts" kind. Mr. Donald D. Kennedy, Deputy Assistant Secretary for Economic Affairs, Bureau of Near Eastern and South Asian Affairs, is presently working with Mr. Sommers of the IBRD in an attempt to work out a satisfactory statement. This statement will naturally be subject to concurrence by the Bureau of the Budget before being finally agreed. In the course of a discussion of the Indus Waters settlement with the Senate Foreign Relations Committee, in Executive Session on May 13, I said that the Department of State believed the Bank's plan to be a practical one and that, if agreement were reached between India and Pakistan, we would recommend the necessary legislative action to provide, together with other friendly governments, the necessary financial assistance.

Mr. Kennedy is prepared to discuss these financial problems with you or Mr. Paul D. Dickens,⁵ at your mutual convenience.

Sincerely yours,

Douglas Dillon⁶

⁴ See Document 74.

⁵ Chief, Southeast Asian Division, Department of the Treasury.

⁶ Printed from a copy that bears this stamped signature.

77. Memorandum of a Conference With the President, White House, Washington, August 11, 1959, 11:30 a.m.¹

OTHERS PRESENT

Secretary Dillon
Major Eisenhower

Mr. Dillon told the President that the dispute between India and Pakistan over the Indus waters appears to be fairly well settled. The Vice President of the World Bank has announced that some settlement has been reached and a treaty will be signed next year. For now the

¹ Source: Eisenhower Library, Whitman File, DDE Diaries. Confidential. Drafted by John S.D. Eisenhower.

World Bank requests assurance that outside funds will be available. The British and Canadians have already sent in their letters of assurance and a similar message is requested of the U.S. This would be done in conformity with NSC 1550.² The costs will come to \$278 million in hard money over ten years, and \$238 million in local currency. This involves the U.S. putting up 45% of the hard currency. It will come from ICA and the Development Loan Fund. The Secretary of State and the Director of the Bureau of the Budget concur.

The President approved the writing of a letter of assurance. He said this expenditure is one of our more worthwhile projects. He mentioned also a complaint which he had received from the Secretary of Agriculture recently that other Departments of the Government fail to understand the problems of Agriculture in disposition of surplus products. The President said he had pointed out that Agriculture is represented on many boards and that their viewpoint had not become known through these board actions. Mr. Dillon said that this feeling on the part of Agriculture had never been made known to him.

John S. D. Eisenhower

² On May 8, 1956, President Eisenhower approved NSC Action No. 1550, which directed that no promises or commitments involving future U.S. funds for foreign assistance should be made or implied except upon determination by the Executive branch that they cover specified conditions. (Department of State, S/S-NSC (Miscellaneous) Files: Lot 66 D 95, Records of Action by the National Security Council)

78. Memorandum Prepared in the Department of State¹

Washington, August 11, 1959.

SUBJECT

Determination in Accordance with NSC Action 1550 Relating to a Commitment that the United States Will Contribute \$517 Million Toward Settlement of the Indus Waters Question

¹ Source: Department of State, S/S-NSC Files: Lot 63 D 351, NSC 5701. Secret. No drafting officer is indicated on the source text. Evidence in Department of State files suggests that this memorandum was prepared in the Department pursuant to President Eisenhower's approval of the preparation of a "1550 determination" during his meeting with Acting Secretary Dillon; see *supra*. (Undated memorandum entitled "Prior Indus Determinations"; Department of State, Central Files, 690D.91322/6-2460)

It is determined that, in order to promote political and economic stability in South Asia, the United States should offer to contribute an amount not to exceed \$517 million in grant and loan assistance toward construction of the system of works proposed by the International Bank for Reconstruction and Development in its plan for settlement of the Indus Waters question. This offer is contingent on similar offers by other friendly governments of amounts which in the Bank's Financing Plan it is proposed that they contribute.

This plan for settlement of the Indus Waters question has been agreed to in principle by the Governments of India and Pakistan as a result of negotiations carried out during the last several years under the auspices of the IBRD. It has been elaborated by the Bank in a Memorandum, a copy of which is annexed.² The basis of the settlement would be the allocation of the waters of the three Western Rivers of the Indus system (Indus, Jhelum and Chenab) to irrigation uses in Pakistan, and the waters of the three Eastern Rivers (Ravi, Beas and Sutlej) to irrigation uses in India. The terms of settlement would be incorporated in an international water treaty to be concluded between India and Pakistan.

The total cost based on current prices of the system of works required to effect the proposed division of the Indus Waters has been estimated by the IBRD at \$1,033 million, which would be financed over a period of ten years. Of this amount, \$585 million would be required in local currency and \$448 million in direct foreign exchange. In the belief that expenditures of this magnitude would be beyond the available resources of India and Pakistan, the Bank has prepared a Financing Plan, incorporated in the Memorandum, which envisages financial assistance from the Bank itself and from the Governments of friendly countries, including the United States, who have expressed an interest in the achievement of a negotiated settlement of the Indus Waters question.

The amount of financial assistance to be supplied by the U.S. as proposed by the Bank in paragraph 9(E) would total \$517 million. Of this amount the Bank proposes that \$102 million would be in dollar loans, \$177 million in dollar grants, and \$238 million in local currencies.

Justification

NSC Action 1550, as approved by the President on May 8, 1956, directs that no promises or commitments involving future performance or future expenditures of United States funds for foreign assistance should be made or implied except upon specific determination by the Executive Branch covering the following four points:

² Not printed. A copy is *ibid.*, S/S–NSC Files: Lot 63 D 351, NSC 5909.

1. *That the commitment is in accord with approved policy.*

NSC 5701,³ approved by the President on January 10, 1959 [1957], lists among the objectives of United States policy in South Asia (a) a lessening of the tensions between the South Asian states in order to augment their resistance to Communist tactics and to strengthen their bonds with the free world, and (b) increasingly sound and developed economies in each of the South Asian states. An early resolution of outstanding differences between India and Pakistan is stated to be an important aim of United States policy; both governments are to be impressed with the United States view that the Kashmir and Indus Waters issues should be settled on the basis of a solution mutually acceptable to the two governments. It is also stated to be in the best interests of the United States to encourage closer economic cooperation among the South Asian countries, and between them and the other free world countries; and, therefore, that assistance should be extended when feasible to foster regional projects of economic importance to the area.

Settlement of the Indus Waters question would constitute achievement of one specific United States policy objective in South Asia. It would contribute importantly to the other objectives relating to the economies of India and Pakistan, to relations between the two countries and to the whole of South Asia. A commitment by the United States to provide in support of that settlement financial assistance of the order of magnitude and type suggested by the Bank would thus definitely accord with approved United States policy.

2. *That funds have been approved by the Congress or that there is an Executive determination to request additional appropriations.*

It is determined to request such authorization and appropriation of funds as may be necessary for the proposed program under the NSC or otherwise. Dollar loan funds would be sought through annual appropriations as needed. Dollar grant funds would be sought in annual appropriations over four years or more as required; and local currency funds would be obtained from such sources as available, including local currency loan repayments, sales of surplus commodities, or otherwise.

3. *That the country is likely to utilize the assistance effectively.*

The governments of both India and Pakistan are under strong compulsion to proceed expeditiously with construction of the System of Works proposed in the Plan of the IBRD. Completion of these

³ Entitled "U.S. Policy Toward South Asia," dated January 10, 1957; *Foreign Relations, 1955-1957*, vol. VIII, pp. 29-43.

Works would permit the two countries to proceed with the full development of required irrigation and so, of agricultural development. The President of the IBRD has proposed that an "Indus Basin Development Fund" be established, to be administered by the Bank, into which all funds required under the construction schedule would be disbursed. Both India and Pakistan would favor such an arrangement. It is believed that the adoption of this procedure would help ensure the efficient use of the funds involved.

4. Probable time span over which such assistance may have to be granted.

It is anticipated that the financial assistance involved would be extended over a ten-year period in accordance with a schedule to be proposed by the Bank.

Douglas Dillon
Department of State
Robert B. Anderson
Treasury
Maurice Stans⁴
Bureau of the Budget

⁴ Printed from a copy that bears these typed signatures. Acting Secretary Dillon approved this memorandum on August 11, Robert B. Anderson approved it on the same day, and Maurice Stans approved it on August 12.

79. Letter From the Acting Secretary of State to the President of the International Bank for Reconstruction and Development (Black)¹

Washington, August 14, 1959.

DEAR MR. BLACK: The Government of the United States has examined the International Bank Memorandum (Indus Waters) dated July 13, 1959 and, in view of the importance which it attaches to a settlement of the Indus Waters problem, from the point of view both of the economic development of the area and of the promotion of peace and stability in the area, desires to assist towards its solution.

¹ Source: Department of State, Central Files, 690D.91322/8-1459. Secret. Drafted by Kennedy on August 13 and cleared with U/MSA, L/MSA, and H.

The Government of the United States is accordingly prepared to give sympathetic consideration to participation in the financing of the proposed system of works in the form of a contribution of the nature, and in amounts not exceeding the order of magnitude in paragraph 9E of the Bank Memorandum of July 13, 1959. This is on the understanding that the International Bank receives appropriate assurances from other friendly governments of their intention to give sympathetic consideration to participation to the extent sought from them in that Memorandum.

Any participation of the Government of the United States would be subject to obtaining such legislative authorization and appropriation as may be necessary, and would be dependent upon agreement being reached between India and Pakistan on the provisions to be included in an International Water Treaty for the settlement of "the Indus Waters Dispute" and upon detailed terms and conditions for the administration of the funds to be expended on the construction of the proposed system of works being worked out on a basis satisfactory to all the interested parties.

Furthermore, it is the expectation of the Government of the United States that the contribution of the several countries which will be providing financial assistance will be drawn upon *pari passu*, unless otherwise agreed to by the countries concerned.

With reference to paragraph 13 of the Bank Memorandum of July 13, 1959,² the Government of the United States will, as in the past, maintain their interest in the economic development of India and Pakistan, and will hope to continue in the future to make such contributions towards such development as its resources permit, in addition to this contribution in respect of Indus Waters.

The assurances of sympathetic consideration given above are, of course, subject to review by the Government of the United States in the event that unforeseen circumstances intervene.³

Sincerely yours,

Douglas Dillon⁴

² Paragraph 13 of the IBRD memorandum reads as follows: "The President of the Bank would urge that any aid that friendly governments may provide towards financing an Indus Basin settlement plan should be additional to the expectations by India and by Pakistan of normal aid from those sources."

³ On August 17, Dillon sent copies of this letter to Anderson and Stans. (Department of State, Central Files, 690D.91322/8-1159 and 690D.91322/8-1259)

⁴ Printed from copy that bears this typed signature.

80. Memorandum of a Conversation Between the Secretary of State and the Indian Ambassador (Chagla), Department of State, Washington, August 25, 1959¹

SUBJECT

Military Aid to Pakistan

The Ambassador noted that relations between his country and Pakistan had seemed to improve considerably over the past several months. The only remaining "fly in the ointment" according to him was American military aid to Pakistan. He realized, as did his Government, that the United States had been giving this aid in completely good faith, but neither he nor his Government were so certain that it was being received in the same good faith by the Government of Pakistan. For instance, the Government of India understood that the United States had given amphibious vehicles to Pakistan which could not possibly be required for defense against international communism.

The Secretary replied that as far as he knew, no amphibious vehicles have been given by the United States to Pakistan and asked Mr. Bartlett what he knew of that matter. Mr. Bartlett confirmed the Secretary's statement, indicating that this subject had been carefully looked into by the Department. Mr. Bartlett wondered whether possibly the Government of India might have confused some small river patrol boats which had been given to Pakistan principally for internal security purposes, for amphibious craft. The Ambassador insisted that this was not the case. Again, Ambassador Chagla said, he wanted to stress that the Government of India had complete faith in the United States objectives regarding its military aid to Pakistan, but that his Government believed Pakistan in requesting and receiving it had "*arrières pensées*".

Frankly, the Secretary said, if Ayub and Nehru could agree to an armaments reduction between them, we would be most happy. Did he mean, the Ambassador queried, that, if India would reduce its armaments, the United States would reduce its military aid to Pakistan? The Secretary replied that he would not like to see it put in that way because in such a context the question implied that our arms were being given to Pakistan for purposes having to do with India.

In any event, the Ambassador concluded, the Government of India would be willing to reduce its armaments if United States military aid to Pakistan were reduced. In the present state of good relations between the United States and India, it would be "monstrous" to

¹ Source: Department of State, Central Files, 790D.5-MSP/8-2559. Confidential. Drafted by Bartlett.

think that the United States was giving military aid to Pakistan for any purpose other than the declared one.²

² In a letter to Indian Chargé D. N. Chatterjee, dated September 21, Deputy Assistant Secretary Parker T. Hart confirmed that the United States had never supplied amphibious vehicles to Pakistan. "In view of the above," Hart continued, "we can only conclude that the reports received by you regarding these vehicles must be in error. It is my hope that the categorical assurances given herein will set your mind at rest on this matter and that you will convey this information to your Government at your earliest convenience." (*Ibid.*, 790D.5621/9-2159)

81. Editorial Note

On September 1, Prime Minister Nehru and President Ayub Khan met in New Delhi to discuss matters of mutual interest to their two countries. During the meeting, they agreed to hold a conference between Indian and Pakistani officials in the near future in order to help prevent incidents along the Pakistani-Indian border. Telegram 736 from New Delhi, September 1, and telegram 589 from Karachi, September 5, reported on the Nehru-Ayub meeting. (Department of State, Central Files, 690D.91/9-159 and 690D.91/9-559) The two leaders issued a joint communiqué at the conclusion of their talk; for text, see *Foreign Policy of India: Text of Documents, 1947-64* (New Delhi, 1966), page 364.

The planned cabinet-level conference between representatives of India and Pakistan on border problems met October 15-22 and reached a preliminary agreement. Bartlett made the following comments about the agreement in a memorandum of October 25 to Hart:

"This agreement represents another important milestone toward the complete Indo-Pakistan rapprochement which the leaders of both countries now appear to be actively seeking. Other significant steps in that direction are the current Indus Waters negotiations, the recent trade talks, and the financial negotiations which have been in progress in Karachi on the Secretariat level simultaneous with the border talks.

"While there is actually little that is new in the provisions of this latest border agreement—most of which had been enunciated by earlier border conferences at various levels—the important new element appears to be manifest sincerity, determination and (with particular reference to Pakistan) ability to implement the decisions arrived at." (*Ibid.*, 690D.913/10-2559)

**82. Memorandum of a Conversation, Department of State,
Washington, September 29, 1959¹**

SUBJECT

Indus Waters Settlement

PARTICIPANTS

The Under Secretary

H.E. Morarji Desai, Finance Minister of India

H.E. B. K. Nehru, the Commissioner-General for Economic Affairs, India

Mr. A. K. Roy, Secretary, Ministry of Finance, India

Dr. J. J. Anjaria, Chief Economic Adviser to Government of India

SOA—Frederic P. Bartlett

The Under Secretary asked Mr. Desai whether he considered that the Indus waters question had a good chance of final settlement.² The Finance Minister said that he believed it was good. Mr. Dillon explained that he had talked to certain members of the Congress about it and that their reactions had been favorable because in their minds it represented a specific, concrete contribution to the easing of tensions between India and Pakistan.

Mr. Nehru then inquired how the United States Government intended to handle its financial commitments under the IBRD's plan. The Under Secretary replied that no final decision had been reached. He believed, however, that the United States commitment for at least next year could be handled within the regular framework of the MSP. Mr. Nehru noted that the financial aspects of the Bank's plan were most important because, if these were not firmly agreed upon, there would be no water treaty. The Under Secretary said he appreciated this and explained that all of the potential contributors to the Indus Basin Development Fund had indicated acceptance of their commitments in letters sent to the Bank. The Under Secretary continued that perhaps the Administration would seek a general authorization to cover its planned contributions, but not try to obtain a single appropriation to provide all at one time the total amount required over ten years.

Mr. Dillon said he had talked recently with Mr. Iliff of the Bank and had been pleased at the news that Germany had indicated that it would contribute thirty million dollars to the Fund. Mr. Dillon understood that Mr. Iliff was presently seeking to negotiate an arrangement with the Germans which would provide that any surplus of funds (including Germany's share) remaining in the Fund at the completion

¹ Source: Department of State, Central Files, 690D.91322/9-2959. Confidential. Drafted by Bartlett.

² Indian Finance Minister Desai was in the United States for talks with U.S. officials and for the annual meetings of the IBRD and IMF. See also Document 242.

of the works covered by the Bank's Plan would be turned over to the IDA. In this way Germany would be assured that its contribution would not be used to reduce the commitments of the original contributors.

**83. Memorandum of a Conversation, White House,
Washington, October 9, 1959¹**

USDel/MC/14

SUBJECT

Pakistan Foreign Minister Qadir's Call on the President

PARTICIPANTS

The President
 His Excellency, Manzur Qadir, Minister Foreign Affairs, Pakistan
 His Excellency, Aziz Ahmed, Ambassador of Pakistan to the United States
 His Excellency, Mohammed Ikramullah, Secretary of Foreign Affairs, Pakistan
 The Honorable Christian A., Herter, Secretary of State
 The Honorable G. Lewis Jones, Assistant Secretary of State for NEA

After the Pakistani party had been seated Mr. Qadir began by thanking the President for the deep honor of being received by him.² He thought holding the CENTO Conference in Washington clearly had been useful.

The President promptly introduced the subject of Pakistani-Indian relations and the remainder of the discussion was largely devoted to this.

The President said that almost two years ago he had had a most interesting talk with Mr. Nehru who had spoken "very reasonably" on the subject of Indian-Pakistani relations.³ He had told the President that he thought all outstanding problems with Pakistan were susceptible to being resolved by peaceful negotiations if good will existed on

¹ Source: Department of State, Central Files, 033.90D11/10-1759. Secret; Limit Distribution. Drafted by Jones on October 13 and approved by the White House on October 17. Another copy of this memorandum of conversation is in the Eisenhower Library, Whitman File, DDE Diaries. Herter briefed Eisenhower for this meeting in a memorandum of September 29. (Department of State, Central Files, 033.90D11/9-2959)

² Qadir was in Washington for the seventh Ministerial Council meeting of CENTO, held October 6-9; see Document 369.

³ Reference is presumably to the Nehru-Eisenhower conversation of December 19, 1956; a memorandum of that conversation is printed in *Foreign Relations, 1955-1957*, vol. VIII, pp. 331-340.

both sides. The truth of the matter was that there was no great difference between the people of Pakistan and the people of India, although the former were mostly Moslems. They had grown up on the same continent and had the same tastes and the same aims. Highly placed on Mr. Nehru's staff was a Moslem whose brother occupied a similarly important position in Pakistan. The partition line had separated families and this state of affairs, Mr. Nehru thought, could and would be taken care of by negotiation. Mr. Nehru had told the President he thought the British bore an important share of the responsibility for partition in that by following a "divide and rule policy" they had encouraged the Moslems to think of themselves as being separate and different.

Mr. Qadir said that he was glad to hear that Mr. Nehru had spoken to the President in these terms. He could confirm that there was much truth in what Mr. Nehru had said, although he might have glossed over the length of time in which the British had followed the "divide and rule" policy; this went back 50–60 years. Mr. Qadir then told the President of the meeting, at the instigation of President Ayub, which took place last month at the airport in Delhi between President Ayub and Mr. Nehru.⁴ The former had indicated that there were three basic questions which had to be settled—Indus waters, Kashmir and the borders. Mr. Nehru had not been forthcoming on the last two, but under the aegis of the World Bank progress was being made as regards the Indus waters. On October 14, Mr. Qadir had just been informed, there would be a meeting between the Minister of Interior of Pakistan and an Indian negotiating group, presumably to discuss border questions.

The President commented that Kashmir always remained as a "sore thumb".

Mr. Qadir said that this was the case and that nothing would please Pakistan more than if some outside party would adjudicate the Kashmir problem. Pakistan had brought this before the Security Council, but the USSR had exercised its veto. Because of a clause in the Commonwealth Agreement Pakistan and India were stopped from taking their case to the International Court. It had been agreed that members of the Commonwealth would not have recourse to this Court.

The President recalled that his old friend, Admiral Nimitz,⁵ had been appointed in this connection to the plebiscite in Kashmir and that he had waited around for two years for something to happen.

⁴ See Document 81.

⁵ Admiral Chester W. Nimitz.

The President reverted to his conversation with Mr. Nehru and spoke of the suspicion with which India regarded the Pakistani military establishment.

Mr. Qadir admitted that this suspicion existed and attributed it to the fact that, being more numerous and having taken the larger part of the country, the Indians had a suspicion that sooner or later the Pakistanis would endeavor to recover militarily what they had been forced to give up. This, of course, was unrealistic but nonetheless the Indians felt that they must have armed forces three times the size of those of Pakistan in order to be secure.

The President recalled an incident in which the UK had been forced to rush to India some Canberra bombers to ease the Indian minds following the rumor (untrue at the time), that the United States was giving Pakistan some light bombers.

The Secretary also recalled this incident and said that Mr. Krishna Menon had come to see him and had been told the truth about what we had supplied to Pakistan. Mr. Menon had insisted he knew better.

The President asked Mr. Qadir whether he thought the attitude of India towards communism was not undergoing some degree of change owing to the incidents along the Chicom-Indian frontier.

Mr. Qadir replied that he had just seen Mr. Krishna Menon, Minister of Defense of India, in New York and that the latter had minimized the frontier incidents as being unimportant and said that if occupation of territory was to be the criterion of aggressive intention, then Pakistan was more at fault than the Chicoms since Pakistan occupied in Kashmir a larger area than that involved in the recent disputes. On the other hand, said Mr. Qadir, reports from India via Karachi indicate that the Indian people are becoming aroused. He thought this a good thing since the menace lay in the north and the subcontinent should, ideally speaking, be defended by both India and Pakistan.

The President agreed that the danger lies clearly in the north and welcomed the signs that public opinion in India seems to recognize this progressively. He thought nothing was gained by India and Pakistan being suspicious of each other's intentions; in their defense planning they should look northward. The President indicated that he would like to be of any help he could in relieving the tensions between India and Pakistan.

Mr. Qadir replied that he hoped the President would be able to find means to do this. The counsel of the United States would be even more effective now that India is so deeply beholden to the U.S. for so much economic assistance. He mentioned the Kashmir problem and the Indus waters problem as being areas in which suspicions persist and in which U.S. counsel of moderation might be useful.

Mr. Qadir gave a lengthy exposé of the complex problem of the Indus waters, but summed up by saying that all these complexities were resolvable by quiet negotiation in an atmosphere of good will.

The President said he was delighted to hear this. He was giving a great deal of thought to the problems of South Asia, which has a special importance "now that China is gone".

Mr. Qadir stressed the hope the President would find it possible to visit Pakistan if he visited the area. The President said that he would do so if he could. He was very interested in the area.

The talk lasted approximately 48 minutes.

Mr. Qadir did *not* raise the question of Pushtunistan or Afghanistan–Pakistan relations.

Mr. Qadir was deeply touched (he told me so) by the President's thoughtfulness in giving him a colored portrait photograph and by the entire manner in which he and his delegation have been received in Washington.

84. Memorandum From the Deputy Assistant Secretary of State for Near Eastern and South Asian Affairs (Kennedy) to the Under Secretary of State (Dillon)¹

Washington, November 6, 1959.

SUBJECT

Indus Waters Settlement

The current status of what the IBRD now calls the "Indus Basin Settlement Plan" is briefly:

1. "Heads of Agreement" have been accepted by both sides and good progress is being made by their lawyers in drafting the actual text of the treaty.² The latter should be ready for signature by December 31.

The IBRD has furnished the friendly contributors the attached revised financial figures dated October 21 (Tab A).³ The new figures principally reflect (a) the engineers' revised construction time table

¹ Source: Department of State, Central Files, 690D.91322/11-659. Secret. Drafted by Bartlett and Kennedy and concurred in by U/MSC, L/MSC, E, and L.

² Iliff had recently transmitted to the Department of State the draft text of a Heads of Agreement for an international treaty on the Indus Waters. A copy of the draft agreement was attached to a memorandum from Hart to Dillon, dated September 28. (*Ibid.*, 690D.91322-2859)

³ Not printed.

which calls for the work to be completed in eight instead of ten years, and (b) the \$30 million contribution of Germany and an additional “requirements item” of \$29 million for “Reserve for Escalation”.

Mr. Iliff called a meeting last week to discuss with the contributors the necessity of satisfying Pakistan that their promises of financial help were firm enough to permit Pakistan to sign a treaty by which it would surrender forever its rights to the waters of the eastern rivers.⁴ As far as the United States was concerned, Mr. Iliff hoped that (a) the DLF might handle its \$70 million loan in a way which would constitute as “firm” a commitment as the IBRD’s own loan of \$80 million would be and (b) the United States together with other friendly governments would provide \$120 million of their grant payments during the first three years of the project. In effect this would mean that the contributors would be asked by the Indus Basin Development Fund to provide \$13 million in grants during the year beginning April 1, 1960, instead of \$8 million in grants to be supplemented by IBRD and DLF loan call-ups of \$5 million as set forth in the Bank’s memorandum of October 21. The United States share would be 58.18 per cent or roughly \$7.4 million. A summary of the problem is contained under Tab B.

Recommendations

A. That I be authorized to inform Mr. Iliff confidentially along the following lines:

1. The United States Government at the highest level has determined that it would contribute an amount not to exceed \$517 million in grant and loan assistance towards the construction of the system of works proposed by the World Bank in its plan for settlement of the Indus waters question. This is contingent on similar assistance by other friendly governments and is subject to availability of funds.

2. It has been decided to include in the Mutual Security legislation for fiscal '61 a provision which will, if adopted, put Congress on record in support of the Indus waters plan.

3. Included in the Administration’s foreign aid program for fiscal '61 will be a request to Congress to appropriate the amount of grant funds required as the United States share during the first construction year 1960–61.

4. You stand ready to support with the DLF the indicated loan to Pakistan of \$70 million at such time as these funds will be required.

B. That I also be authorized to inform the Government of Pakistan along the above lines at such time as, in consultation with Mr. Iliff, appears appropriate.⁵

⁴ A summary record of this meeting, which was held at the IBRD on October 26, was attached to the source text as Tab B but is not printed.

⁵ Dillon initialed his approval of all of these recommendations; in recommendation 1, however, he crossed out the phrase “at the highest level.”

85. **Memorandum From the Acting Assistant Secretary of State for Near Eastern and South Asian Affairs (Kennedy) to the Secretary of State**¹

Washington, November 13, 1959.

SUBJECT

Indus Waters

At your staff meeting yesterday morning you inquired as to our participation in the financing of the settlement of the Indus Waters question proposed by the IBRD.² Perhaps some further background would be of interest:

1. The partition line establishing the independent states of India and Pakistan cut across the system of canals which irrigate land in the Indus Basin and, in effect, gave control of the waters which the area now a part of Pakistan historically used, to India. This has been potentially the most dangerously explosive issue between the two countries.

2. The IBRD has been working with India and Pakistan for eight years in an effort to reach an agreed division of the Indus Waters, and this has been in fact achieved.

3. The solution, the Bank estimates, will cost a little over \$1,000,000,000 in foreign exchange and local currencies of which we would put up about fifty percent. Other contributors would include the IBRD, the United Kingdom, Germany, Canada, Australia and New Zealand, and construction would take about ten years.

4. It was generally agreed that the elimination of this problem will contribute greatly to a lessening of the tensions between the two countries, thus augmenting their resistance to Communist tactics, and to encouraging closer economic cooperation between them. The 1955 Determination, which provides for an advance commitment on the part of the United States to contribute to the cost of the system of works, was concurred in by Secretary of the Treasury Anderson, Director of the Bureau Stans and Under Secretary Dillon.

5. Prior to obtaining final signatures on the Determination, Mr. Dillon briefed the President on the plan, informing him of the commitments made by other countries and of the commitment proposed for the United States. The President agreed that we should go ahead and said that he was much happier about this specific project than many others in the foreign aid field.

¹ Source: Department of State, Central Files, 690D.91322/11-2359. Confidential. Drafted by Kennedy and cleared with Bartlett. Copies were sent to Dillon, John O. Bell, and Leland Barrows of ICA.

² A record of the Secretary's Staff Meeting on November 12 is *ibid.*, Secretary's Staff Meetings: Lot 63 D 75.

6. Mr. Dillon also briefed the Senate Foreign Relations Committee and the House Foreign Affairs Committee. Neither committee expressed opposition.

7. The present action, which occasioned your query, is to assist Mr. Iliff, Vice President of the IBRD, in completing his final negotiation of a water treaty.

86. Memorandum of a Conversation, Department of State, Washington, December 2, 1959¹

SUBJECT

Indian Ambassador's Views on Indo-Pakistan Relations

PARTICIPANTS

Ambassador Chagla of India
Under Secretary Murphy
Mr. Donhauser—M
Mr. Horgan—SOA

Mr. Murphy asked Ambassador Chagla if he would care to comment on Indo-Pakistan relations, in which we had been pleased to see a number of recent evidences of improvement.

The Ambassador replied that he had never known a time when these relations had been better: the Canal Waters problem was practically settled, as were the border problems; talks were being held on the financial problems; there only remained the Kashmir problem. Even here there was hope. A strong man like Ayub could push through a settlement where a politician could not. (In an aside, he said that Indian leaders, like American, have to answer to their legislatures, but Ayub does not.) He went on to describe Ayub as having shown himself very friendly to India. In fact, this friendliness made India feel more safe "in her rear", now that she had to turn her defenses completely around. Frankly, India's defenses had been oriented entirely against Pakistan. For India to feel entirely safe, it would be necessary to resolve the remaining differences with Pakistan. The Ambassador said he believed there was no problem that cannot be solved between two men who are willing to tackle it with common sense and in a spirit

¹ Source: Department of State, Central Files, 690D.91/12-259. Secret. Drafted by Horgan.

of accommodation and understanding. He then wondered if the President's trip would not be helpful in this connection:²

Mr. Murphy said that we hope to say some careful words during the trip about how fine we believe it would be if the Kashmir problem could be settled.

The Ambassador said that he believed a sympathetic word from the President here and there (i.e., in Karachi and Delhi) would be of real help.

Ambassador Chagla at this point entered a caveat concerning India's unwillingness to enter a common defense arrangement with Pakistan, although he accepted Mr. Murphy's suggestion that India would not object if, in the case of actual hostilities with Red China, Pakistani troops came to Indian assistance.

The Ambassador made some further comments on President Ayub. Ayub had tackled the Canal Waters problem first, because it was the most urgent problem between the two countries. Kashmir had become almost a "traditional" point of difference between the two countries, whose solution could wait, as it had done for twelve years. But the water problem was, as Ayub had said, a life-and-death matter. On the whole, the Ambassador thought Ayub had done well; he had tackled the corruption problem, and had given the country some political and economic stability.

The Ambassador closed on the note that India and Pakistan should be able to settle their differences; they were, after all, fellow-citizens up until 12 years ago, and the leadership on both sides had ties of comradeship and, in a number of cases, ties of actual blood relationship.

² The President was scheduled to begin a trip to 11 countries, including India and Pakistan, on December 3; see *infra*.

87. Editorial Note

On December 3, President Eisenhower departed Washington on the first leg of a world tour that would take him to 11 countries in 3 weeks, including Pakistan and India. Eisenhower was in Pakistan December 7–9 and flew to Afghanistan on the morning of December 9 for a brief visit, and later that day arrived in New Delhi for the beginning of a 5-day visit to India. Regarding his discussions with Pakistani officials, see Documents 375–377. Memoranda of his conversations with Indian officials are printed as Documents 247–248.

On November 30, the President discussed his upcoming trip with a group of Congressional leaders. Secretary of State Herter also attended the conference. A memorandum of that meeting, drafted by Presidential Assistant Bryce Harlow on December 5, reads in part as follows:

“Secretary Herter commented that the Congressional statements were most encouraging. The trip would have great value. He said, respecting the Pakistan problem, that the Indians and Pakistanis have the eastern boundary settled without any difficulty and are working on the western boundary. He thought it would be a fine thing to include this problem in the President’s discussion.

[1 paragraph (5 lines of source text) not declassified]” (Eisenhower Library, Whitman File, DDE Diaries)

88. Letter From the President to the Secretary of State, at Paris¹

Athens, December 14, 1959.

DEAR CHRIS: The following message, which I have drafted to send to our Ambassadors in Karachi and New Delhi, conforms to the facts of my conversations with Ayub and Nehru. In order to keep this properly on the communication tracks, I would like to have you transmit it to Rountree and Bunker if it meets with your concurrence. If you see any objection, please hold up on transmitting it and send me a message on the matter on the *Des Moines*.²

Proposed message to Karachi and New Delhi follows.

“Following message to you is from the President:

During the course of my conversations in Delhi with Nehru, a good deal of time was devoted to Indo-Pakistani relations. I stressed the importance which we attach to this question and the hope we entertain that the improvement which has already occurred will develop further into a close and confident working relationship. I expressed the opinion that such improvement would be in the interest not only of the parties directly concerned but of the entire free world. I

¹ Source: Department of State, Central Files, 690D.91/12-1459. Secret. Transmitted to Paris in telegram 111 from Athens captioned: “Eyes only for Secretary.” Telegram 111 was repeated to the Department of State as Murto 23, which is the source text. Herter was in Paris for a Ministerial Meeting of the North Atlantic Council which was scheduled to open on December 15.

² Herter approved the President’s message without change and transmitted it to Karachi in telegram 12 from Paris, December 16 (sent to New Delhi as telegram 53 and repeated to the Department as Cahto 3). (*Ibid.*, 711.11-EI/12-1659)

would be glad to be helpful if that were needed and welcome, but made clear that I could not be in the position of a mediator. I mentioned that in our Mutual Security Program for Pakistan I was often perplexed between a desire to see Pakistan well equipped militarily, and an equal wish not to cause embarrassment or anxiety to India. I told Mr. Nehru that we regarded the deployment of Pakistan and Indian troops on the Kashmir cease-fire line as wasteful and as tending to weaken the front that the free world presented to the Communists. Incidentally, I said to Mr. Nehru that President Ayub personally expressed his great desire for consideration of differences, saying that, at the very least, he and the Indians should not continue to find it necessary to deploy forces on the Kashmir line. I also told Mr. Nehru that so far as any risk or danger that Pakistan might attack India is concerned, I could not believe there is even a remote possibility, and furthermore I believe the United States could be effective in preventing it.

While Mr. Nehru in the first instance dwelt briefly on his apprehension at one time of a Pakistan "stab in the back," in our conversation Sunday³ evening he expressed a desire for an approach in the form of either a joint declaration by himself and Ayub or separate statements to the effect that all questions between India and Pakistan would be settled for the indefinite future by peaceful negotiations. Resort to force and war would be excluded. In reply to a question of mine, Nehru said that this declaration should apply to all questions, both present and future, i.e., including those now existing (e.g. Kashmir).

If this were done, Nehru indicated—without being precise about it—that he would then be less opposed to our assisting Pakistan in modernizing its army. He clearly left the road open for further communication with me on this matter should his proposal find any favorable reaction in Karachi.

For Karachi:

Rountree is instructed to talk with Ayub on a secret and personal basis. Likewise he should make an exploratory effort to obtain reaction. He should not show this message to him or other Pakistanis. Our purpose would be to make sure that President Ayub understands the great opportunity this could give him in modernization of his army. I would appreciate a report as promptly as possible in your EYES ONLY series.

³ December 9.

For Delhi:

It would be appreciated if Bunker would deliver to Nehru personally the following message:

After reflecting on our last evening's conversation I have instructed my Ambassador in Karachi to discuss with Ayub personally on a strictly confidential basis the thought you expressed regarding the possibility of a joint declaration or separate statement by India and Pakistan. This would be to the effect that all questions between them for the indefinite future will be settled by peaceful negotiations, i.e., without resort to force or war. As I told you I am not trying to be a mediator but I also said I should like to repeat to President Ayub your feelings on the matter, as I told you of his. My Ambassador will stress to Ayub the great importance attaching to such an initiative not only to the parties directly concerned but to the entire free world. I am sure President Ayub will understand the importance this might have in respect of United States assistance to Pakistan in the future, particularly as to his hope of modernizing his regular forces.

I shall hope to inform you as soon as possible of Ayub's reaction or other development. It does seem to me that your inspiration could lead to a substantial step forward; but I do not minimize your difficulties in this field. I know they are many. Should any type of useful information come to my notice I shall inform you promptly.

With warm personal regard, Dwight D. Eisenhower."

End of proposed message.

As ever,

D. E.⁴

⁴ Murto 23 bears these typed initials.

89. Telegram From the Embassy in Pakistan to the Department of State¹

Karachi, December 23, 1959—6 p.m.

1483. New Delhi eyes only for Ambassador. Eyes only for President and Secretary. Re Secretary's 12, December 16, from Paris² (re-

¹ Source: Department of State, Central Files, 690D.91/12-2359. Secret; Priority; Presidential Handling. Repeated to New Delhi.

² See footnote 2, *supra*.

peated to Department as Cahto 3) and Embtel 1445.³ I met yesterday in Rawalpindi with President Ayub to discuss subject of President's message repeated Karachi in Secretary's 12, December 16 from Paris. Ayub had just returned from long speaking tour West Pakistan.

Suggestion made by Nehru was, of course, similar to "no war declaration" originally proposed by Nehru to Liaquat Ali Khan⁴ through Pakistan High Commissioner in Delhi December 22, 1949 (see Indian white papers of 1950 on lengthy exchanges concerning this subject) and most recently by Indians in June this year as reported by Ambassador Langley in Embtel 2830, June 25.⁵ In brief, Indians have long urged that two governments join to "condemn resort to war for settlement of any existing or future disputes between them" and to state that disputes between them should always be "solved by recognized peaceful methods such as negotiation, or by resort to mediation or arbitration . . .⁶ or by agreed reference to some appropriate international body". Indians urged Pakistan accept declaration at face value as means moderating tensions which Delhi alleged were being kept alive by provocative exhortations by segment Pakistan press and by some politicians, both groups stating that GOP should go to war if necessary over Kashmir and Canal waters. Pakistanis were reluctant to sign such a declaration in part because they believed relaxation of Pakistani military pressure would cause India to consolidate its position in Kashmir to detriment of Pakistanis' legitimate interests. They therefore insisted that any such declaration spell out specific steps to be followed in negotiations, and that declaration should also permit both countries, as last resort, to refer their unsolved disputes to arbitration. India agreed to refer to arbitration so-called "justifiable" issues, such as Canal waters and evacuee property, but crux of issue was, of course, Kashmir. India contended that Kashmir was "political issue" and therefore not subject to arbitration.

While issue of "no war declaration" has cropped up periodically since 1949 and 1950, little progress has been made in obtaining mutual acceptance of proposal. Pakistan continued to be wary of signing such declaration without first insuring that declaration contained definite time table and procedures for resolution of disputes including Kashmir. In Pakistani eyes, India illegally holds vital real estate and source of Pakistani water supplies, thus India obviously satisfied with maintenance "status quo". Pakistanis on their part have considered it

³ Telegram 1445, December 18, noted that President Ayub would not be in Rawalpindi until December 22 when Rountree would try to see him. (Department of State, Central Files, 790D.11/12-1859)

⁴ Former Prime Minister of Pakistan.

⁵ Not printed. (Department of State, Central Files, 690D.91/6-2559)

⁶ Ellipsis in the source text.

necessary maintain troops in readiness and political initiative on these issues because of domestic pressures as well as for tactical considerations.

With this background, I spoke with President Ayub December 22 along lines that President Eisenhower was greatly impressed with importance continuing to develop better relations between India and Pakistan, particularly since he saw great value in creating situation in which Pakistani and Indian forces did not confront each other but could turn their attentions to matters more conducive to their own free world interests. Employment of Pakistani and Indian troops against each other obviously tended weaken their portions of free world front against Communists. President believed both Ayub and Nehru would like further, et cetera, improve relations, and he would like help in any way he properly could although he had made it clear that he could not become a mediator. In course conversations held in Delhi, question arose as to whether it might be possible at this juncture agree to issuance of joint declaration of separate statements by Ayub and Nehru to effect all questions between India and Pakistan will be settled for indefinite future by peaceful negotiations, and that resort to force between them will be excluded. This would apply all questions, present and future, including Kashmir. Such statements would serve reduce Indian concern about increases in strength and firepower Pakistani armed forces through modernization of equipment. We, of course, recognize this not entirely new idea. However, I had been instructed explore matter personally and confidentially with Ayub in light present improved situation and in light advantages which would result to Pakistanis and United States, as well as free world in general, in permitting us pursue military aid program here with far less concern about political and public reaction on Indo-US relations. Such situation would, of course, greatly simplify problems of supplying certain military items discussed by Ayub with President Eisenhower.

Ayub listened attentively to my presentation. He said he fully appreciated objectives for which we were pursuing matter with him. The suggestion was not, of course, a new one but had been put forward by Nehru from time to time for many years. Essentially, what Nehru sought at outset was assurance that he could with impunity continue to hold vital areas of Kashmir without resolution of problem in accordance UN resolution or otherwise, and with no concern that Pakistan would do anything about it. Ayub said it was certainly not his intention to resort to force with India, but if one understood that background of Nehru's suggestion, one could understand more clearly its motivations. The effect of such a declaration without certain accompanying steps would be for Pakistani public to assume that Pakistan had handed Kashmir to India on a silver platter. There would be the strongest resentment which would be "disastrous" for his regime.

On other hand, Ayub did not object in principle to "no war declaration" but he thought correct procedure would be for Nehru, perhaps through President Eisenhower or his representative, to come to an agreement on the principles of a settlement of Kashmir problem. He felt in this connection that direct negotiations would lead nowhere without agreement in principle having been reached upon the basis for such negotiations, and might in fact be highly counterproductive since they would raise hopes that would not materialize. He therefore urged necessity of finding means to arrive at the headings of an agreement on basic principles. With this done, and in the context, India and Pakistan could then usefully undertake a "no war-no force" statement. He repeated several times that it was vital that these two matters be associated. He said parenthetically that if Pakistan should undertake a declaration along lines suggested by Nehru, it would be assumed that such declaration was undertaken by his government under strong American pressure, and that the US position in Pakistan would also greatly suffer. He repeated several times that Nehru had always tried by any means to establish some kind of cover so that he would not have to come a settlement on Kashmir.

Ayub said that he was determined to do everything feasible to arrive at an agreement with India so that relations between the countries would continue to improve, permitting their respective forces to be re-deployed from defense against each other. Nevertheless, he must take into account the fact that the people of Pakistan were extremely nervous over overtures by him toward Nehru, because they did not yet feel there was adequate basis for their trusting latter. When this basis was more fully developed, "Nehru can have the friendship of Pakistan on a platter".

Comment: I believe it highly unlikely that Pakistanis could be persuaded to undertake declaration as suggested by Nehru or President Eisenhower, and as previously suggested by Nehru to GOP, without relating declaration to specific means of achieving Kashmir settlement. For Ayub to do so in the light of past history of strongest public opposition and refusal of previous governments, would risk his entire personal future and stability of his regime. Even with martial law, there already are evidences in press and public that there is concern over rapidity with which Ayub moving toward rapprochement with India. Ayub must be ultra-sensitive to attitude of Army, his principal basis of support. Considerable progress has been made in improving relations between Pakistan and India, but it would be unrealistic in my view to assume that much further progress can be made beyond efforts and projects now in train, in the absence of some successful approach to Kashmir.

It has been our earnest hope that gradually improving atmosphere in Indo-Pakistan relations would lead to attitude of reasonableness on both sides in discussion of this crucial issue at some future time. We have been reluctant to undertake mediation and have concentrated our efforts upon quietly trying to bring the two sides together. In this process we have tried to keep balance so that our influence in neither country would be jeopardized by underwriting position of the other on highly controversial issues such as Nehru's "no war declaration" and Ayub's "joint defense proposals". While this policy of quiet influence has, I believe, helped to produce closer Pakistan-Indian relations as well as maintained US influence in both countries, it is clear that at present rate of progress it will be some time before Kashmir settlement can be expected.

It appears to me that President's visit and resulting good will toward the US in both Pakistan and India may offer unique opportunity for our intervention on this key issue which divides India and Pakistan. I am not in position to canvass all possibilities but I would urge that Department review all previous approaches to Kashmir settlement and explore alternative avenues which may be open to us. Experience in reaching satisfactory settlement of Cyprus issue, even though for several years it appeared to be impossible of solution and likely to result in permanently strained relations between three of our NATO allies, encourages me to believe that solution to Kashmir may be possible, particularly in improved atmosphere following President's talks with Ayub and Nehru.

Rountree

90. Telegram From the Department of State to the Embassy in India¹

Washington, January 15, 1960—3:40 p.m.

2667. For Ambassador. President has requested that you extend his personal felicitations and congratulations to Nehru and Ayub respectively regarding the reports he has received that a number of problems between the two countries have been satisfactorily resolved,

¹ Source: Department of State, Central Files, 690D.91/1-1560. Confidential; Limit Distribution. Drafted by John C. Calhoun of S/S, cleared with Goodpaster and Assistant Secretary Jones, and approved by Acting Secretary Merchant. Also sent to Karachi.

and specifically the resolution of certain boundary difficulties.² President would like you to say that in his opinion every step of this kind makes more promising the attainment of peace and freedom. He extends his personal best wishes to both.³

Merchant

² Earlier that month, a ministerial meeting between Pakistani and Indian officials had led to settlement of four of the five pending border disputes between West Pakistan and India.

³ In telegram 1680 from Karachi, January 18, Ambassador Rountree reported that he met with Ayub on January 16 and delivered Eisenhower's message. "Ayub was pleased," Rountree noted. "He asked me convey to President Eisenhower his warm personal regard and his thanks for the President's continued interest." (Department of State, Central Files, 690D.91/1–1860)

In telegram 2421 from New Delhi, January 19, Ambassador Bunker reported that, in the absence of Nehru, he conveyed the substance of Eisenhower's message to Pillai. (*Ibid.*, 690D.91/1–1960)

91. Telegram From the Embassy in India to the Department of State¹

New Delhi, January 22, 1960—4 p.m.

2458. In view of Ayub's recent statements and indications here and from Karachi that appointment A.K. Brohi, Pakistan High Commissioner Delhi, signifies new attempt by Pakistan to push for settlement Kashmir issue, Embassy has been reviewing possibilities for progress on this difficult and seemingly intractable issue. We have come to conclusion that time is not yet ripe for any Indian compromise likely to effect solution of Kashmir issue. Present momentum for solution of other outstanding Indo-Pakistan problems will have to gain strength and stand test of implementation before it is realistic to think of India being willing to approach solution of Kashmir issue on any basis except its own terms, i.e., probably "status quo" with minor adjustments. Patience is thus required to let dividends of present accords generate public opinion favorable to settlement, which in last analysis will be important factor in shaping Nehru's actions. This assessment strongly endorsed by MacDonald, UK HICOM, and is also shared by Ronning, Canadian HICOM.

¹ Source: Department of State, Central Files, 690D.91/1–2260. Secret. Repeated to Karachi and London.

Sino-Indian dispute, improved stability of GOP and increasing stature of Ayub have caused Indians to re-think some of their prejudices and to become more rational about Pakistan. Indeed, in informed circles attitude is changing markedly in more realistic and helpful direction, although masses still respond to demagoguery of Kashmir Premier Bakshi, as demonstrated at recent Congress session. Official attitude is clearly more cooperative and there is strong evidence this is result of Nehru directive to settle as many specific issues as possible. Though there is tendency to give as much credit to US as to Pakistan for change in Pakistan diplomacy, Indian officials, press and politicians have all been impressed and have commented favorably on conciliatory, friendly and responsible attitude of Pakistan's representatives in recent negotiations.

Key to prospects of progress on more difficult issues lies with Nehru. Though I have never been able to draw Nehru out on Kashmir and personally believe that he is not likely to take any initiative in devising solution, I do not regard situation hopeless, provided it is correctly handled. This will entail better Pakistan understanding of Nehru's psychology and no intervention by US. It is my belief that Nehru is genuinely well-disposed toward Pakistan although he has distrusted Pakistan politicians of previous regimes with perhaps some reason, that he has often been unaware of provocative acts instigated by Indian side (border, propaganda, et cetera), that much of his seeming evasiveness is not so much an attitude of mind as inability to conceive politically practicable solutions and that Pakistan's military alliance with US inhibits, for him, natural and cooperative relationships that might otherwise develop.

If Brohi makes his explorations here with discretion and tact it will serve as needed complement to Dayal's effort, Karachi and may well contribute to development of ultimate solution of Kashmir issue. However I believe any head-on or publicized attack on this problem will only meet stone wall, or worse.

What seems to me as most likely avenue for furthering Indo-Pakistan accord is more personal contact between Nehru and Ayub. I believe that there is an awareness in GOI circles of need for Nehru to make some gesture leading to this end; but whether or not this comes to early fruition, an opportunity will be provided for personal exchanges at Commonwealth Prime Ministers meeting.² This may well be what will eventuate, especially in view Ayub's Dacca statement as reported Delhi press January 22 that only basis for meeting of two leaders would be Nehru willingness seriously discuss Kashmir and because Nehru, with an eye on ChiCom situation, will lean over

² The Commonwealth Prime Ministers' meeting was scheduled to be held in London in late April.

backwards to avoid giving any impression that India is abandoning non-alignment. Through such private explorations it may be possible to establish trust and confidence that would lead to candid examination of political and strategic realities and to efforts to develop face-saving formula for both sides, that will also avoid fanning flames of communalism. Until this is possible, India's diplomatic posture on Kashmir will remain frozen, as means protecting Indian claims not only vis-à-vis Pakistan but also ChiComs. In regard to Pakistan's case, as in ChiComs, Nehru not disposed, as some of his colleagues were and are, to drive out "aggression", but neither will he "submit" i.e., give up India's claims even if he were disposed to be reasonable while "foot on our chest".

US can continue to play an important but indirect role, by adjusting its own policies and bilateral relationships with these countries, so as to promote cooperation and to avoid actions which at times operate to stimulate competition and estrangement. Specific but relatively minor example where such approach could usefully be applied in our judgment is proposal contained Department's airgram CG-426³ for air demonstration "Quick Span" in CENTO countries. While such flexing of muscles may serve to give needed stimulus to morale of countries involved, side effects at this juncture appear to us unfortunate. At time when real beginning being made at Indo-Pakistan rapprochement and when ChiCom menace offers possibility of drawing together quarreling nations on her periphery, such exercise would only re-emphasize differences and lend itself in addition to adverse propaganda in wake Eisenhower peace mission, and at time when all actions are being judged here by whether they conducive to success of Summit. This does not mean Indians underestimate or underrate need for military strength as basis for gaining respect. This is amply demonstrated in Nehru's current campaign to use ChiCom threat to spur development of India's industrial and defense potential. But in Nehru's view power subjected to restraint is more effective deterrent than power displayed.

Bunker

³ Dated January 11. (Department of State, Central Files, 780.5411/1-1160)

92. Editorial Note

On February 4, Acting Secretary of State Dillon, Assistant Secretary of Defense Irwin, and a group of other U.S. officials met with President Eisenhower to discuss the Mutual Security Program. According to a memorandum of that conversation, drafted by Goodpaster, the discussion touched on the Indus Waters negotiations:

“Mr. Dillon next raised the question of U.S. aid and support to the Indus River project. He said there is need for Congressional approval and endorsement of this program, waiver of certain restrictive provisions of the MSP, and statement that the compliance with World Bank criteria would be considered to satisfy requirements of the Mutual Security Act on economic soundness, cost benefit ratios, and completion of engineering studies. The President expressed strong support for the Indus River project. He commented that he hoped this would help toward a settlement in Kashmir, recalling some of his efforts in this respect during his recent visit to Pakistan and India.” (Eisenhower Library, Whitman File, DDE Diaries)

93. Editorial Note

On February 29, the Department of State and the International Bank for Reconstruction and Development issued separate press releases concerning the proposed settlement of the Indus Waters dispute. In its statement, the Department of State expressed the support of the United States Government for the IBRD-sponsored plan for settling the Indus Waters dispute and noted that the contribution proposed by the Bank for the United States consisted of \$177 million in grant aid, \$103 million in loans, and \$235 million in local currencies to be derived from the operations of various U.S. programs in Pakistan. The texts of these press releases are printed in Department of State *Bulletin*, March 21, 1960, pages 442–443.

94. Memorandum of a Conversation Between the President and the Ambassador to Pakistan (Rountree), Washington, April 25, 1960, 8:45 a.m.¹

SUBJECT

Call by Ambassador Rountree on the President

The President began by saying that he had talked with Ambassador Bunker and Ambassador Byroade about some of the difficulties in the South Asian area.² He had gained the impression from Ambassador Bunker that relations between India and Pakistan were in general improved, although there were strains particularly concerning Kashmir. The President emphasized the importance of continuing the favorable trend in this relationship. He thought the United States position in India was satisfactory, but the problems of the area emphasized the need for continued substantial American aid. Indeed, the needs for foreign assistance were far greater than the United States could meet.

Mr. Rountree spoke of the generally improved atmosphere in Indo-Pakistan relations, but told the President of his fear that continued refusal on the part of India to discuss Kashmir might soon result in a reversal of the recent trend. He reported his recent conversation with President Ayub, in the course of which the latter expressed great concern in this connection. He mentioned the status of the Indus Waters negotiations and expressed the hope that this matter could be resolved satisfactorily which would do much for the general relationship between the countries.

[Here follows discussion of the Pushtunistan dispute and U.S.-Pakistani relations. For the portion covering Pushtunistan, see footnote 4, Document 166.]

¹ Source: Eisenhower Library, Whitman File, DDE Diaries. Confidential; Limit Distribution. Drafted by Rountree.

² Ambassadors Rountree, Bunker, and Byroade were in Washington for consultations. A memorandum of the President's discussion with Byroade on April 23 is printed as Document 166. A memorandum of Eisenhower's conversation with Bunker on April 25 is printed as Document 256.

**95. Memorandum of a Conversation, Department of State,
Washington, April 25, 1960¹**

SUBJECT

Status of Indus Waters Negotiations

PARTICIPANTS

Mr. W. A. B. Iliff, Vice President, IBRD
 Ambassador Bunker
 Ambassador Rountree
 NEA—Donald D. Kennedy
 SOA—Frederic P. Bartlett
 SOA—J. Wesley Adams

Mr. Iliff explained that the principal issues still separating the Governments of India and Pakistan in the conclusion of the Indus Waters treaty concerned uses of the waters of the Western Rivers and storage thereof by India.

In the matter of water usage the Pakistanis, Mr. Iliff said, had been agreeable to an annual use of .75 million acre feet (MAF). India had originally demanded 3 MAF, but had come down to 1.04 MAF. Mr. Iliff thought this difference negotiable.

On storage, Mr. Iliff stated, the Indians had originally pressed for 8 MAF; the Pakistanis had been willing to agree to 500,000 AF. Over the last weekend, he said, the Indian demand had been reduced to 3 MAF while the Pakistanis had moved up to 1.5 MAF. He thought that this willingness of the two parties to go some way toward meeting the position of the other indicated that the negotiations on this issue were also "over the hump" and that agreement on storage would be reached shortly.

Mr. Iliff mentioned that the Indians were anxious to provide for a review of the uses of the waters of the Western Rivers at the end of a twenty-year period, the purpose being to maximize use of the waters and to insure against wastage. As proposed by the Indians, the Pakistanis would exercise a veto over any proposed changes. Mr. Iliff added that it was doubtful that even with future revisions it would ever be possible to achieve 100 per cent usage; there would always be some water flowing to the Arabian sea.

Ambassador Rountree interjected to say that he and Ambassador Bunker were both of the opinion that relations between India and Pakistan will improve in the years ahead. Asked by Mr. Iliff if this opinion extended to the Kashmir problem, Ambassador Rountree said that he did not think Kashmir would be a problem within ten years.

¹ Source: Department of State, Central Files, 690D.91322/4-2560. Confidential. Drafted by Adams on April 28.

Article X of the treaty, which relates to the legal position of the two parties on Kashmir, Mr. Iliff continued, is still a matter of some discussion. The IBRD, he said, had consulted Mr. John Foster, a lawyer, who had advanced the view that the treaty adequately safeguards the Pakistan position. The Pakistanis had asked the Bank to provide them with a copy of Mr. Foster's opinion on this subject but the Bank had refused because: a) it did not wish to become involved in the issue, and b) it was of the opinion that if the Pakistanis wished a legal opinion on the subject that they should obtain one independently.

Regarding interim or transitional arrangements under the treaty, Mr. Iliff explained that the principal problem concerned the supply of water in the Sutlej below Ferozepore during the critical period of late September and early October when there sometimes was no flow from the upper Sutlej and none available in the Chenab for transfer into the lower Sutlej via link canals. This problem, he said, would be largely solved when the Mangla Dam was completed, so that its impounded waters could be released during this period to supply the lower Sutlej. During the interim period the problem could be solved, Mr. Iliff said, through use of waters impounded by the Bhakra Dam. The GOI, however, was adamant in opposing such use of those waters, stating that they were intended for other uses.

Mr. Iliff said that [1 line of source text not declassified]. The Bank [less than 1 line of source text not declassified] was pressing the Indians to deliver 3,000 cusecs to the Ferozepore head works in September and 1,000 cusecs in October. Mr. Iliff explained that this water shortage was not a perennial problem, that it occurred only about once every three years on the average, and that during the last five years there had been no shortage.

Mr. Iliff stated that he expected to leave for London Wednesday night, April 27, where, during the meeting of Commonwealth Prime Ministers, he hoped to conclude major negotiations on the treaty. He stated that he now thought there was almost no chance for signature of the treaty on May 9, as the IBRD had hoped. He believed, however, that there was every chance of agreement by the end of May. Mr. Iliff added that Foreign Minister Qadir planned to come to London following the CENTO meeting.

Ambassador Bunker stated that it might be preferable to have the treaty signed in Rawalpindi. Prime Minister Nehru, he said, had personally told him that he would like to visit Rawalpindi, that he was looking for a reason for such a visit and that signing of the Indus treaty would provide a good reason. Ambassador Rountree commented that he thought this was an excellent idea and that it would be worth postponing signature of the treaty beyond the London meeting of Commonwealth Prime Ministers in order to bring Mr. Nehru to Rawalpindi.

Mr. Iliff said he thought Ambassadors Rountree and Bunker might be interested in knowing that at a meeting last week in Cambridge, Massachusetts, IBRD President Black had been approached by Aziz Ahmed, the Pakistan Ambassador in Washington, who belabored him about the alleged unfair attitude of Mr. Iliff. He had complained that Mr. Iliff was shifting the terms of the negotiation from those contained in the 1954 agreement.

Mr. Iliff explained that the IBRD was trying to get a settlement, and not necessarily to stick rigidly to the terms of the earlier agreement. In actual fact, he said, the latest provisions conformed about 90% to the original provisions. As illustrations of altered provisions he mentioned that the first proposal had contained no provision for storage. Likewise, it was concerned only with replacement works in Pakistan, whereas the current settlement plan provided for \$300 to \$400 million of developmental work. The value of increase in agricultural production in Pakistan expected to result from this additional irrigation development, Mr. Iliff said, was estimated to run from \$90 to \$150 million annually based on an additional water supply of from 8 to 15 MAF.

Ambassador Bunker commented that the Pakistan High Commissioner in New Delhi, Mr. Brohi, had commented to him with reference to the Bank's proposal, that "there was nothing in it for Pakistan".

Ambassador Rountree remarked that Finance Minister Shoaib had commented in a similar vein to President Eisenhower. The President, however, had told Mr. Shoaib that he understood that the plan provided for new development in Pakistan to which, after some discussion, Mr. Shoaib had reluctantly agreed.

Ambassador Rountree and Bunker both expressed to Mr. Iliff their admiration for the fine manner in which he had carried forward this difficult negotiation.

96. Memorandum of a Conversation, Department of State, Washington, July 7, 1960, 3 p.m.¹

SUBJECT

Call by Pakistan Ambassador: Trend of Indus Waters Negotiations

PARTICIPANTS

H.E. Aziz Ahmed, Ambassador of Pakistan
Mr. Najmul Saqib Khan, Third Secretary, Pakistan Embassy
Mr. G. Lewis Jones, Assistant Secretary, NEA
Mr. Frederic P. Bartlett, Director, SOA
Mr. William F. Spengler, SOA

During a conversation on a number of subjects of current interest to his government (see separate memoranda),² Ambassador Ahmed referred to the Indus Waters negotiations currently in progress in Washington. He stated that, after some hesitancy, he had decided to inform Mr. Jones of the latest trend in these crucial negotiations over which his government had become deeply concerned.

By way of background, the Ambassador stated that agreement had been reached between Pakistan and India some time ago, through the good offices of the IBRD, on most of the terms of a basic water treaty. Only the so-called "interim arrangements" (i.e., the division of Indus Waters during the first ten years while the GOP was constructing its replacement works) remained to be settled. These arrangements had been under active negotiation for several months. However, about two or three months ago the Bank had concluded that a deadlock had been reached. Under the circumstances Pakistan had suggested that the IBRD present India and Pakistan with a proposal for interim arrangements on a "take it or leave it basis". This the Bank did, but Mr. Gulhati (the chief Indian negotiator) had refused to accept it. The Bank continued its efforts to mediate the question. The Pakistanis, however, had begun to suspect that the Bank might now be prone to take the minimum Indian terms and present them to Pakistan as its own proposal. Their suspicions, he said, had been borne out when the President of the IBRD had informed Mueenuddin (the chief Pakistan negotiator) two days ago that the Bank had decided "to try to beat India down as far as possible" and then to offer the new Indian terms to

¹ Source: Department of State, Central Files, 690D.91322/7-760. Secret; Limit Distribution. Drafted by Spengler on July 12.

² None printed.

Pakistan on a "take it or leave it basis". If Pakistan rejected these terms, instead of breaking off the negotiations the Bank would invite the Pakistan Finance Minister to London for private talks.

Ambassador Ahmed stated that, in a sense, the interim arrangements were more important than the final provisions of the treaty since the interim period of the next five or six years would be crucial in terms of Pakistan's water requirements. He and Mr. Mueenuddin not only thought Mr. Gulhati's position unfair but suspected that the agreement which Messrs. Gulhati and Iliff had reached did not really reflect the official position of the Indian Government. Evidence which the GOP had developed indicated that the GOI did not want the negotiations to fail over the issue of interim arrangements and that the GOI position on this question was actually flexible. Gulhati, however, had been pressing for more than his government was willing to settle for, and had objected to referring the matter back to his government on the ground that he possessed complete authority to deal with the question.

Another matter which he (Ambassador Ahmed) wished to bring to Mr. Jones' personal attention was the fact that the Bank's engineers had been under heavy pressure from Mr. Iliff to substantiate the latter's views concerning the uses of the waters of the three western rivers. Bank engineers, in fact, had privately termed Mr. Iliff's attitude "outrageously unfair". When Mr. Iliff had learned that Pakistani representatives had been talking directly with the Bank's engineers, he had instructed the latter to avoid contact with the Pakistanis.

All this, the Ambassador continued, left Pakistan very disturbed. Pakistan feared that the eventual Bank proposal would turn out to be not what the Government of India wanted but what Mr. Gulhati personally wanted, and that it was not likely to be acceptable to Pakistan. If Pakistan were going to have to reject the Bank's proposal—and it did not now appear that a fair proposal would emerge—it desired that the breakdown in negotiations not be blamed on Pakistan.

The Ambassador declared that he did not know what the U.S. Government could do to "save the situation". Above all, he did not want his remarks to get back to Mr. Black in such a way as to cause him to think that Pakistan did not have confidence in his fairness or was trying to apply pressure on the Bank. He added, however, that it might help save the situation if the U.S. Government could somehow persuade the Bank to refer the question back to the Government of India for further consideration.

Mr. Bartlett asked the Ambassador if it were not true that Mr. Black had just written to the Governments of India and Pakistan on the matter. The Ambassador replied that he understood Mr. Black had done so.

Mr. Jones thanked the Ambassador and added that Mr. Mueenudin had just provided Mr. Bartlett with similar information. As the Ambassador knew, we had deliberately “kept our distance” and had left the conduct of the negotiations entirely up to the IBRD. In a larger sense, however, we were intensely interested in the problem and were already deeply committed with the U.S. Congress in supporting financially the anticipated agreement. We hoped the negotiations would be successfully concluded.

97. Editorial Note

On September 7, President Eisenhower opened his press conference with a statement about the Indus Waters settlement. He noted in part as follows: “In a very depressing world picture that we see so often, there is one bright spot that seems to me worthy of mention, and that is the settling of the Indus River water problem between Pakistan and India.” For full text of his remarks, see *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1960–61*, pages 679–680.

On September 19, India and Pakistan concluded a treaty governing the use of the waters of the Indus River. The agreement was signed in Karachi by Indian Prime Minister Jawaharlal Nehru, Pakistani President Mohammed Ayub Khan, and IBRD Vice President William A. B. Iliff. At the same time, an international financial agreement was signed in Karachi by representatives of the Governments of Australia, Canada, West Germany, New Zealand, Pakistan, Australia, the United Kingdom, and the United States, as well as the IBRD. That agreement provided for the establishment of an Indus Basin Development Fund of approximately \$900 million to finance the construction of irrigation and other works in Pakistan in connection with the Indus Waters Treaty. For text of the treaty, see 419 UNTS 125; for text of the Indus Basin Development Fund Agreement, see 12 UST 20.

98. Memorandum of a Conversation Between the Assistant Secretary of State for Near Eastern and South Asian Affairs (Jones) and the Minister of the Indian Embassy (Chatterjee), Department of State, Washington, September 19, 1960¹

SUBJECT

Indus Waters Settlement

Mr. Chatterjee stated that one of his purposes in calling on Mr. Jones was to convey officially to the Government of the United States the gratitude and appreciation of the Government of India for all that the United States Government had done to contribute to the settlement of the Indus Waters question. Mr. Chatterjee stated that he felt it to be quite appropriate for him to convey this message on the actual day on which the Indus Waters Treaty was being signed in Karachi.

Mr. Jones stated that he believed the major credit for the settlement should go to the two parties primarily concerned—the Governments of India and Pakistan. He said that the settlement was viewed with great satisfaction by the Government of the United States. He said that whatever the scope of the United States participation in the settlement might have been, he believed that its greatest effectiveness lay in the fact that we had not actively intruded ourselves into the negotiations nor had we attempted to place pressure on either of the negotiating parties. Mr. Chatterjee agreed and again expressed the appreciation of his government.

Mr. Jones expressed the hope that the Indus Waters settlement would further contribute to the atmosphere of greater friendliness now existing between India and Pakistan. He said he had been impressed by a statement made to him recently that these two governments should attempt to settle their remaining differences while the present generation of political leaders remained in office because these leaders, on both sides of the border, had been educated together and in many cases were personally known to each other. Mr. Chatterjee agreed that this was a factor on the positive side but said that there was also the negative factor that the present political leaders in both countries still had bitter memories of the slaughter which had occurred on both sides of the border at the time of partition. He indicated that it would take some time for these memories to fade.

¹ Source: Department of State, Central Files, 690D.91322/9–1960. Confidential. Drafted by Fleck.

99. Paper Prepared by the Policy Planning Staff¹

Washington, November 8, 1960.

ANOTHER LOOK AT THE KASHMIR PROBLEM

Summary and Conclusions

The attached paper² suggests that the successful conclusion of the negotiations for the Indus Waters Treaty, and the improved atmosphere in which Nehru and Ayub met to sign the treaty, may have enhanced the prospects for a settlement of the long-standing Kashmir dispute. It is pointed out that progress toward a solution is apt to be directly dependent upon Ayub and Nehru personally in view of the unique position which each holds in his own country. Reference is also made to the urgent need for a settlement.

The paper briefly reviews the position of the United States toward the Kashmir issue, in which we have been involved since the beginning but in which we have not played an active role in recent years. The conclusion is reached that the United States should continue to refrain from taking an initiative with the two parties.

After making the point that a settlement along the lines of the never-implemented United Nations resolutions of 1948 and 1949, calling for demilitarization of Kashmir followed by a plebiscite, no longer seems to be a practical possibility, the paper discusses various alternative solutions. It is concluded that partition, with special arrangements covering the Vale of Kashmir, is the most realistic of these alternatives and that there is some reason to believe it might prove to be acceptable to both India and Pakistan. Under such a solution, those portions of the state lying outside the Vale would be divided between the two countries while a decision on the future disposition of the Vale would be postponed for a period of five to ten years. Suggestions are advanced for two alternative types of transitional regimes for the Vale and for some UN presence there during this period. It is pointed out that any solution should include measures to guarantee Pakistan's interest in the waters of the rivers flowing through Kashmir.

¹ Source: Department of State, S/P Files: Lot 67 D 548, India. Secret. Assistant Secretary of State for Policy Planning Gerard Smith forwarded this paper to Deputy Under Secretary Hare on November 22, under cover of a memorandum that reads: "There is attached a recent S/P study of the Kashmir problem which I believe may be of some interest to you."

² The attached 17-page paper is not printed.

AFGHANISTAN

U.S. EFFORTS TO HELP RESOLVE THE "PUSHTUNISTAN" DISPUTE BETWEEN AFGHANISTAN AND PAKISTAN; U.S. INTEREST IN COUNTERING SOVIET INFLUENCE IN AFGHANISTAN; CONCERN WITH THE EFFECTIVENESS OF U.S. ECONOMIC ASSISTANCE PROGRAMS¹

100. Telegram From the Embassy in Afghanistan to the Department of State²

Kabul, January 3, 1958—11 a.m.

697. From Country Team for Department, ICA, Defense, [*less than 1 line of source text not declassified*], USIA. RGA decision not accept additional foreign loans from any sources, recently communicated by Prince Naim to both me and USSR Ambassador, appears to mean Afghanistan's foreign policy as it relates to position in struggle between free world and Communist bloc is no longer fixed in pattern of close collaboration with Soviets which was evidence of Khrushchev-Bulganin visit December 1955,³ but now is in state of flux. Unless Soviet Union prepared to provide Afghanistan with grants, which it has not thus far been willing do with countries outside Soviet bloc, Soviet financing of Afghan economic development appears destined to come to end once those projects already agreed upon (possible Salang Pass tunnel, Naghlu hydroelectric, and Jalabad irrigation projects, according to ComMin Sherzad) have been completed. Afghan dream of economic modernization financed by foreign credits, mainly from USSR, had come to end. Undoubtedly, increased awareness of realities of Afghanistan's ability derives [from] such foreign loans and provide local currency necessary for carrying out economic development projects has been important factor in RGA's recent decision. There may have been present, however, another factor of equal importance: growing anomaly of Afghanistan's posture with respect to Russia (which was not unnatural response, when adopted two years

¹ Continued from *Foreign Relations, 1955-1957*, vol. VIII, pp. 163 ff.

² Source: Department of State, Central Files, 789.5-MSP/1-458. Secret; Priority.

³ Khrushchev and Bulganin visited Afghanistan, December 15-19, 1955; for documentation, see *Foreign Relations, 1955-1957*, vol. VIII, pp. 206 ff.

ago, to circumstances then existing) and realities of improving relations with Pakistan, substantial aid being received from United States, and Afghanistan's historical fear of Russian expansion.

There no reason believe decision forego further foreign loans means RGA regards economic development of Afghanistan of any less importance than formerly, and Prince Naim has told me on more than one occasion that economic development is essential for very survival of country. This fact suggests that for promise of grant aid of magnitude which is well within our means we might now be able obtain substantial favorable modification of Afghanistan's foreign policy.

During past two years our economic aid policy with respect to Afghanistan has been formulated as reaction to Soviet policy. What we are suggesting is that at this crossroads in Afghanistan's history we react positively, rather than drift and have our next major policy decision with respect to Afghanistan come as reaction to some Russian move. Afghanistan's absorptive capacity for economic development funds is not large, and if we could assure RGA we would seek from Congress \$15 million of grant aid each year for Afghanistan plus substantial PL 480 program⁴ to provide ICA currency, RGA might be willing loosen its close economic ties with Russia and place its economic development largely in our hands. Such an offer, made now, would go far to remove from minds of Daud and Naim belief which they known hold that United States not interested in Afghanistan's development, but concerned only with preventing its having close ties with USSR.

Recent protestations made to me by ComMin Sherzad, and previously to Strong and Elwood, to effect Afghanistan leaders are basically sympathetic to, and would welcome closer relations with, United States are significant. He may, of course, have been speaking solely for himself, but he has certainly done his best give impression his views shared by Royal Triumvirate.⁵ In any case, his frank discussion December 28 opens channels which could be used, if Washington agrees, to sound out Daud and Naim as to their reactions to such proposal.

Embassy/USOM recently recommended to Washington we provide additional \$6.2 million grant aid for air transport project (Toica 538)⁶ and we shall almost certainly recommend grant aid for transit project. If these recommendations are approved, we shall already be well on way toward adopting new policy with respect to economic assistance for Afghanistan. Rather than have this new policy appear to

⁴ Agricultural Trade Development and Assistance Act of 1954, approved on July 10, 1954. (68 Stat. 454)

⁵ King Zahir Shah, Prime Minister Mohammed Daud, and Deputy Prime Minister and Foreign Minister Mohammed Naim.

⁶ Dated December 31, 1957. (Department of State, Central Files, 789.5-MSP/12-3057)

Afghans as result series ad hoc decisions with respect to specific projects (in which we have political interest), preferable if we announce to Naim and Daud as deliberate new departure in our relations with Afghanistan.

We do not believe we should attach explicit conditions to such aid. We must at same time, however, protect ourselves against possibility our grant aid would make it possible for RGA continue draw against Soviet line credit. Our announcement of new aid policy should be made in some such terms as "policy of financing economic developments in Afghanistan on grant basis during such period of time as country's fiscal and foreign exchange situation makes it inadvisable to seek to finance such development through foreign loans." This would constitute clear enough warning we do not intend to provide grants while Russia provides loans, but at same time it is wording to which Afghans could hardly object.

If such decision can be reached speedily, then Ambassador Lodge, when he arrives Kabul,⁷ should be authorized tell Daud, Naim and King (if latter is here) that President has authorized him offer up to \$30 million in grant aid over period of two years. He should say it is up to RGA to choose projects for which such aid should be used but USG hopeful that between one third and one half would be devoted to transit project if agreement on this can be reached between three governments.

Other projects in which RGA or important elements thereof have keen interest with sums needed to complete are:

1. New Kandahar airport and paving certain country airports—\$6.2 million.
 2. Completing phase one Helmand Valley as desired by RGA—\$7.0 million.
 3. Completing plant University of Kabul—\$1.5 million.
 4. Kandahar industrial district—\$1.5 million.
- Total—\$16.2 million.

If approximately \$13.8 million used on transit project in country of Afghanistan, this total \$30 million. Would be great mistake, however, to follow policy of past and for USG unilaterally choose for Afghanistan projects it considers most important then present RGA with take-or-leave-it choice.

If Soviet riposte is to make similar grant offer, it would of course, rob our gesture of some of its impact. Even so, acceptance of grants instead of loans from Russians would avoid having Afghans getting themselves heavily mortgaged to Communists and thus serve our

⁷ Henry Cabot Lodge left the United States on January 28 for a trip to Iran, Afghanistan, Pakistan, and India. He was in Afghanistan, February 5-8.

ends. Russians might hesitate establish grant precedent since it would have to follow it in other non-Communist countries where it trying gain dominance.

As at time of Ambassador Richards' visit,⁸ many signs now point to moment having arrived when fundamental reorientation of Afghan policy is possible if United States willing seize opportunity. Year ago we let opportunity slip because economic resources at Ambassador Richards' disposal were insufficient.⁹

Mills

⁸ James P. Richards, the President's Special Assistant on the Middle East, visited Afghanistan, April 1–3, 1957, as part of a larger trip to the Middle East and South Asia. See *Foreign Relations, 1955–1957*, vol. xii, pp. 491–492.

⁹ On January 25, Ambassador Mills and Robert M. Snyder, head of the ICA Mission in Afghanistan, met with Prime Minister Daud to discuss the question of economic assistance. "At close conversation when opportunity came for him to comment, Daud said RGA meant just what it had said; that RGA could not take on additional foreign debt now; should its financial position improve and it be able carry more foreign debt, US Government would be first to which it would apply for assistance in shape of loans; stated he had given instructions I to be given debt and other data Bartlett and I had requested (Embtel 735)." (Telegram 798 from Kabul, January 25; Department of State, Central Files, 789.5–MSP/1–2558)

Telegram 735 from Kabul, January 15, is not printed. (*Ibid.*, 889.2614–Helmand/1–1458)

101. Telegram From the Embassy in Afghanistan to the Department of State¹

Kabul, January 13, 1958—9 p.m.

736. During long visit with Pakistani Ambassador,² who returned Kabul last week after absence nearly five weeks, Khattak informed me in strictest secrecy President Mirza told him if Afghan King shows any reluctance visit Karachi February 1 as planned to make it easy for King to postpone visit. Reasoning Mirza, according Khattak, is that as consequence great slump prestige free world due to realization USSR has ICBM as proved by Sputnik, now is not propitious time to influence Afghan Monarch.

¹ Source: Department of State, Central Files, 789.00/1–1358. Secret; Limited Distribution.

² Mohammed Ahram Khan Khattak.

Also Khattak informed me in strictest secrecy his contacts within royal family including some royal wives inform him these members family who formerly very pro-West now have fatalistic feeling re USSR. They argue that odds now if war came are Soviets would win it and because GOP allied with free world would feel justified in conquering it. They state much safer to be neutral while cultivating USSR by all manner gestures of friendship. Khattak states members royal family in question look forward to eventual union Afghanistan and Pakistan and feel that this now endangered by close Pakistan relation with West. [3 lines of source text not declassified]

Khattak further stated certain Afghans close to Pakistanis formerly believed if Pakistan did not interfere [less than 1 line of source text not declassified], it would be possible at appropriate moment to organize rebellion in areas bordering Pakistan and force out King and Daud or force them grant liberal reforms. These Afghans no longer believe this possible; Soviet arms cached in strategic areas according to them and Daud could arm tribesmen (with whom he probably already has made arrangements and given promises) and easily put down such uprising. Afghans referred to, according Khattak, now believe only possibility changing Daud-Naim dictatorship would be by some such means as assassination.

Khattak stated when he was in Karachi three Afghans close to Pakistanis saw him. He urged them to do nothing violent as GOP currently committed to following peaceful approach to RGA. He indicated such Afghans would be there if needed in any contingency.

Khattak stated what he sees developing in Afghanistan is penetration by Soviets by peaceful means. He has of course talked of this before and it is apparent to all this is Soviet tactic. He said that perhaps in 10 years, although it could happen much earlier, one day Islah could calmly announce abdication of King and resignation of Cabinet with new government taken over by someone now unknown who would be Soviet stooge and would make satellite of Afghanistan.

I told Khattak this possibility certainly existed and of course was like formula used by Soviets in Eastern Europe except there Soviet Army was also present or on borders. We agreed that transit project daily assumes greater importance from strategic standpoint [3½ lines of source text not declassified].

I told Khattak that history seldom unfolds as anticipated and United States must do its best to hold beachhead of influence in Afghanistan using whatever opportunities we could discover. He fully agreed and gave no indication he considering any policies other than those we have been jointly following during last year and half.

Comment: Khattak has excellent sources but he tends to over dramatize. Representing country which would suffer most and first if Afghanistan were taken over one way or another by Soviets, possible

dangers loom large in his mind. This is not to dismiss possibility that events could lead eventually to Soviet takeover. He has confidence that US will offset apparent Soviet lead in missiles and will demonstrate this in time dramatically.

Mills

102. Editorial Note

Between February 1 and 6, King Zahir Shah made a State visit to Pakistan. In despatch 737 from Kabul, February 25, the Embassy reported on the King's trip. The despatch reads in part as follows: "While there were no hard and fast substantive accomplishments during the visit, it undoubtedly was of value in creating a better atmosphere for the conduct of Pakistan-Afghanistan relations." Of particular importance was the rapport which apparently developed between Mirza and the King during the visit, demonstrating what could be done in improving relations between the two countries by means of well-planned cooperation conducted in an atmosphere designed to assist the two governments "in working out quietly solutions to some of their common problems and in the removal of barriers to harmonious relations." (Department of State, Central Files, 789.11/2-2558)

103. Letter From the Officer in Charge of Pakistan-Afghanistan Affairs (Soulén) to the Chargé in Afghanistan (Elwood)¹

Washington, March 6, 1958.

DEAR BOB: Ambassador Mills has suggested that we pass on to you our present thinking regarding the Embassy's telegram 584² which

¹ Source: Department of State, SOA Files: Lot 60 D 544, Afghanistan—Internal Security of Country. Secret; Official-Informal. Drafted by David B. Bolen.

² The last paragraph of telegram 584, November 26, 1957, reads as follows: "Thought should be given now to whether if requested it would be worthwhile for some sort of military mission from US to share with Russians field of advising Afghan military since believed not likely that Afghans would feel able discard Russians at this late date. If decision affirmative then question arises how this could be brought about in absence of Afghan adherence to any regional defense plan. Understood same situation applies in

raised certain questions regarding the feasibility of establishing some sort of military mission in Afghanistan.

In light of our policy to do everything practical to counter Soviet influence in Afghanistan, this telegram was studied carefully in Defense and State.

In regard to the final paragraph, our tentative and informal position is that in view of present Afghan-Soviet relations and especially the military equipment situation, it is inadvisable to endeavor to establish "pure" instructional or MAAG type mission unless American personnel were to operate only at the highest level, i.e., counseling King, Prime Minister and general staff to the exclusion of Soviet or satellite personnel.

Even with such pre-emptive rights, the Department would hesitate to recommend the engagement of US military staff and counseling personnel in any competitive overlapping project with the Soviet operating personnel using Soviet matériel in Afghanistan. Based upon the present situation, the Department of Defense believes that the establishment of a US military mission in Afghanistan would entail difficulties and risks far outweighing potential benefits to the US military. It is also the feeling in Defense that putting any kind of military mission in Afghanistan would inevitably lead to the generation of demands for matériel which we are not prepared to meet at this time.

If this or a similar subject is broached officially, the Embassy should point out the obvious anomalies and endeavor to elicit details of RGA thinking without giving any encouragement beyond offering to report the subject to Washington.

Sincerely yours,

Garrett H. Soulen³

Saudi Arabia. Quid pro quo would be chance to influence Afghan military and partially counter Russian influence [2½ lines of source text not declassified]. Would also firm up Afghan neutral stance which is RGA avowed policy." (*Ibid.*, Central Files, 789.5-MSP/11-2657)

³ Printed from a copy that bears this typed signature.

104. Telegram From the Mission at the United Nations to the Department of State¹

New York, May 6, 1958—7 p.m.

1273. Re visit of Prince Daud to US.²

1. Pazhwak³ (Afghanistan) called on me today to discuss visit of Prince Daud to US. He told me he was responsible for making arrangements for Prime Minister's trip.

2. Difficulties had arisen in US-Afghan relationships a few years ago for reasons which he thought we understood. US-Afghan relations were now improving and he hoped visit of Prime Minister would provide opportunity for continued improvement. He said there had been no change in Afghan policy of neutrality. He thought reasons for this policy were now better understood in US as well as basic Afghan motivations and intentions. Visit of Prime Minister would be most useful if it went beyond protocol visit and included discussion and negotiation of important questions with US authorities.

3. As possibility for discussion he mentioned number of economic programs in which he thought US-Afghan cooperation might be further developed as well as some military issues.

4. Economic programs he mentioned were:

(a) A further development of Helmand Valley. He said in spite of large amounts of money that had been poured into Helmand Valley Afghan Government had not been able yet to convince people that project was bearing adequate economic returns. He hoped further investments in area would enable past investments to pay off.

(b) Development of electricity from new dam near Qandahar. Pazhwak thought installation of electrical facilities at this dam would produce two million KW of electricity. This would benefit both Afghanistan and neighboring regions of Pakistan to whom extra electrical power could be sold. There was sufficient immediate value in this project that it could be singled out from general Helmand Valley projects. He also pointed out income resulting from electrical power could be used by Afghanistan for further developments in valley.

(c) Settlement of nomads. He said Afghan Government hoped to provide nomads with land and teach them to engage in agricultural pursuits. This would be of great benefit in country where there are two million such people. He thought we might be able to help them on this.

(d) Agricultural equipment. He said Afghanistan needed considerable new agricultural equipment in order to improve its production.

¹ Source: Department of State, Central Files, 789.11/5-658. Confidential; Priority.

² Prime Minister Daud was scheduled to arrive in the United States on June 24 for discussions with U.S. officials.

³ Abdul Rahman Pazhwak, Afghan Representative at the United Nations.

(e) Baluchistan-Qandahar Railway. He said US people in Afghanistan had originally been favorable toward Afghan interest in building such railway, which would open better transportation routes from Kabul to Pakistan and provide basis ultimately for connections with Iran. He said reactions had in fact been favorable enough to lead to "hope" in Kabul that project could be undertaken. Subsequent engineering survey ended with recommendation against project on economic and engineering grounds. (He implied skepticism on part of Afghan Government as to whether project was really not feasible or whether for some policy reason we had changed our attitude. He seemed to be greatly interested in this project.)

5. On military programs he commented that Afghan Government had in past on several occasions indicated interest in getting arms supplies from US. Inasmuch as we had been unable to provide them they had obtained some arms from Czechoslovakia and other sources. However, they were still interested in more modern non-nuclear armaments from US. They also wanted to improve training of their army officers. They hoped to be able to work out agreements for such training in US.

6. Pazhwak said above items were illustrations of type of thing they hoped would be suitable for discussion with Prime Minister while he was here. They would also be glad, of course, to discuss other issues we might want to take up. He asked for our reactions to be conveyed to him as soon as possible, especially indicating which items productive results might be expected from, and whether there were any which might not be useful to talk about. He stressed that their overriding desire was to make trip as useful as possible in improving US-Afghan relations. They would not want to include items which would only result in father disagreement. While Pazhwak stressed that many of his comments were personal rather than instructed, it was apparent he had clear idea of what Prime Minister wanted to do and that there was hope on Afghans' side that visit would mark considerable improvement in our relations. (In this connection Pazhwak stated in his opening remarks that his first instruction in connection with becoming Afghanistan's Representative to UN was to consult with me immediately and seek to maintain close cooperation between Afghan and US Missions.)

7. Department's instructions requested re reply I should make to Pazhwak on nature of Daud's visit and items we think would be useful for discussion while he is here.⁴

Lodge

⁴ The Department responded in telegram 782 to USUN, May 8, instructing Lodge to emphasize U.S. expectations that the visit would "consolidate past improvements and facilitate further progress in US-Afghanistan relations." (Department of State, Central Files, 789.11/5-658)

105. Memorandum From the Assistant Secretary of State for Near Eastern, South Asian, and African Affairs (Rountree) to the Under Secretary of State (Herter)¹

Washington, June 9, 1958.

SUBJECT

Attached Paper on the Threat of USSR Aviation Penetration in Afghanistan and Adjacent Areas²

Background

According to information we have been receiving from our Embassy in Kabul, it is apparent that the Soviets are making a strong bid to dominate the civil aviation field in Afghanistan. Up to the present time the U.S. has held a pre-eminent position in this field. Furthermore, the Soviet threat has far-reaching implications, not only for Afghanistan but for all of South Asia and the Middle and Far East.

This subject was discussed at the Board meeting on June 4, 1958,³ at which time the Board requested more specific information as well as possible U.S. lines of action to counter the current Soviet maneuvers. The attached paper, which has the approval of the South Asian working group of the Board together with that of specialists in aviation matters from the Department, ICA, and CIA, is in response to this request.

Salient Features

The paper stresses that the Soviet offers to Afghanistan present a difficult problem for the U.S. In the first instance they threaten the future economic viability of Ariana, the ICA-sponsored Afghan national airline which is a major instrument of the U.S. objective of strengthening Afghanistan's ties with the free world. Secondly, and of graver implication for U.S. security and political objectives, there is a possibility of the establishment of a Soviet-sponsored second Afghan airline. Such an airline would present the Soviets with an opportunity for a major break-through in aviation penetration through the ex-

Telegram 1327 from USUN, May 16, reported that Lodge had seen Pazhwak on the previous day. "Pazhwak was appreciative of our favorable reaction on Daud trip," it noted. "He said Afghan Government would be prepared to discuss anything we wanted and on its part would not want to put anything up for discussion on which constructive progress not likely." (*Ibid.*, 789.11/5-1658)

¹ Source: Department of State, S/S-OCB Files: Lot 62 D 430, Afghanistan. Secret. Drafted by Dudley C. Bostwick and Leon B. Poullada of SOA on June 6 and cleared with E/AV and W/MSC.

² Not printed.

³ Records of the OCB meeting of June 4 and other OCB meetings are in Department of State, OCB Files: Lot 62 D 430, Preliminary Notes.

plotation of air agreements negotiated or to be negotiated by Afghanistan with Middle East, South Asian, and Far East countries. In effect such an airline would permit the Russians, flying under the guise of an Afghan flag carrier, to penetrate these areas.

Concurrences: AV, ICA.

Possible OCB Discussion: The South Asia working group of the Board has reached agreement on all substantive points raised in the attached paper.

Recommendations

1. That you move that the Board concur that United States foreign policy objectives are threatened by the current Soviet attempt to dominate civil aviation in Afghanistan.

2. That you move that the Board request Mr. Dillon in his capacity as co-ordinator for Mutual Security affairs to examine the possibility of allocating FY 1959 funds to strengthen the U.S. aviation project in Afghanistan to meet the Soviet threat.⁴

⁴ On June 18, the OCB again discussed the Afghan aviation problem. Karl G. Harr, Jr., summarized the lengthy discussion in a June 24 memorandum to Sherman Adams:

"The ultimate sense of the Board was that, whereas we should adopt a positive attitude toward the continuation of the effective U.S. (Pan Am)-Afghan cooperation through Ariana, and should strive to improve the regional and local efficiency of that airline, it was premature for two reasons to proceed into the Moscow-Kabul and beyond service: (1) because facilities necessary therefor were not practicable for some time to come; (2) because the U.S. could not consider such a service unless and until the Afghans succeeded in modifying their agreement with the Soviets to permit the use of air crews of nationalities other than Afghan or Soviet." (Eisenhower Library, Staff Secretary Records)

106. Memorandum of a Conversation, Department of State, Washington, June 24, 1958¹

SUBJECT

Afghan-United States Relations

¹ Source: Department of State, Central Files, 611.89/6-2458. Confidential. Drafted by Poullada on June 25. Dulles and Daud also discussed Afghan-Soviet relations and Afghan-Pakistani relations. Separate memoranda of those conversations are printed *infra* and as Document 108.

PARTICIPANTS

United States

The Secretary
Mr. Robert Murphy, G
Mr. C. Douglas Dillon, W
Mr. William M. Rountree, NEA
Mr. Sheldon T. Mills, Ambassador of
Afghanistan
Mr. Frederic Bartlett, SOA
Mr. Armin Meyer, SOA
Mr. Leon Poullada, SOA
Messrs. Smith and Bell, ICA

Afghanistan

Sardar Mohammed Daud, Prime
Minister, Afghanistan
Mohammed Hashim Maiwandwal,
Ambassador to the United States
Dr. Mohammad Yusuf, Minister of
Mines and Industry
Mr. Abdul Rahman Pazhwak, Afghan
Permanent Representative to the
United Nations

The Secretary welcomed the Prime Minister and his party to the United States and expressed his high regard for Afghan desires to maintain their country's independence. We are at all times willing to help Afghanistan to maintain its independence and are happy to extend our sympathetic assistance to Afghanistan's economic and political aspirations.

The Prime Minister stated that Afghanistan has always defended its independence and freedom in spite of many hardships and problems. Afghanistan is a poor and backward country, and its problems are very large though its means are small. The Prime Minister expressed his personal gratitude and that of his people for the aid and assistance which the United States has extended. Although Afghanistan is a backward and remote country, the Afghan people would prefer to endure poverty than to surrender their pride. Afghanistan prizes its friendship for the United States more highly than it does the aid which it receives. To the Afghan, friendship has a spiritual value which transcends material benefits. Afghanistan's friendship for the United States would continue whether or not it received aid from the United States.

The Prime Minister pointed out that Afghanistan has many economic problems and needs assistance from any friendly country willing to give it. It has always turned to the United States as its friend for assistance. "In turn," the Prime Minister noted, "I wish you to understand that Afghanistan is your friend."

The Secretary expressed his appreciation for the Prime Minister's friendly sentiments and suggested that it would be useful for him to discuss specific economic problems with Mr. Smith and Mr. Dillon at the meeting to be held the following day.²

² See Document 111.

107. Memorandum of a Conversation, Department of State,
Washington, June 24, 1958¹

SUBJECT

Afghan-Soviet Relations

[Here follows the same list of participants as the memorandum of conversation, *supra*.]

The Prime Minister expressed the strong and traditional desire of all Afghans for independence and freedom. He stated that he wanted to dispel any doubts which his American friends might harbor that the acceptance by Afghanistan of aid from its neighbor to the north would prejudice in any way Afghanistan's independence. Previous Afghan Governments had looked to the United States for badly needed aid and the response had been disappointing. Afghanistan has never accepted aid with any conditions attached. When he (Daud) became Prime Minister, Afghanistan found it necessary to seek aid from any source willing to give it. This need was heightened by "certain events not pleasant to us."² Afghanistan's only aim in accepting aid from the USSR has been to develop Afghanistan's economy and strengthen its defenses without in any way prejudicing its national traditions.

The Secretary stated that we understood the motives which led Afghanistan to accept Soviet assistance mentioning specifically the fact the Afghanistan is a land-locked country and its transit difficulties with Pakistan naturally led Afghanistan to seek a route for its commerce to the north. He pointed out that the United States has tried to be helpful, alluding specifically to the transit project. The Secretary mentioned the danger of too much economic dependence on the Soviet Bloc and the presence of Soviet technicians in Afghanistan. He mentioned that Soviet trade is used primarily for political purposes; citing Yugoslavia as an example of how the USSR withdrew its aid when the Yugoslavs did not follow political courses dictated by the Soviets.

He emphasized that the United States wanted a peaceful world. We have never used our economic or military power to dominate other nations. Unfortunately, the same cannot be said for the USSR. Our hope is that in time the USSR will cease to have expansionist ambitions. However, even if the Russian desire for expansion relaxes in

¹ Source: Department of State, Central Files, 661.89/6-2455. Confidential. Drafted by Poullada on June 25.

² Note: Evidently a reference to difficulties with Pakistan and the United States military programs in that country. [Footnote in the source text.]

other parts of the world, Afghanistan may still have problems with the USSR because of its geographic position and historical Russian ambitions which antedate the present Communist regime.

The Prime Minister replied that with all deference to the views of a powerful country such as the United States, nevertheless, the views of a small country might be of value. The strong feeling of nationalism and the desire for independence and freedom which characterize all nations in Asia make it inconceivable that they would accept an ideology inimical to their best interests. As concerns Afghanistan, it is "beyond imagination" that Communism could make any inroads in view of Afghan traditions, religion, and the very nature of the Afghan regime. As regards Soviet technicians, the Prime Minister related how he had expressed to Bulganin and Khrushchev the same beliefs and convictions which he now expressed. He wanted to assure his American friends that the Soviet technicians in Afghanistan have in no instance engaged in improper activities, nor would the Afghan Government tolerate any such activity by them.

The Secretary explained that his mention of the Communist danger in no sense implied any doubt of Afghanistan's desire for freedom and independence. He had the greatest admiration and respect for the manner in which Afghanistan had preserved its independence. He was referring to a common danger which threatened the United States as well as Afghanistan. He was not questioning the Government of Afghanistan's dedication to the preservation of its independence any more than he would question similar dedication by the United States Government of our own independence. No doubt the fact that Soviet technicians were acting correctly was due in part at least to Afghan vigilance.

The Prime Minister replied that he simply wanted to assure his American friends regarding Afghan reasons for accepting Soviet assistance.

**108. Memorandum of a Conversation, Department of State,
Washington, June 24, 1958¹**

SUBJECT

Afghan-Pakistan Relations

[Here follows the same list of participants as Document 106.]

The Prime Minister alluded to Afghanistan's problems with Pakistan as being one of the reasons which led Afghanistan to accept Soviet aid. With regard to the Pakistan-Afghan transit project, the cooperation and assistance of the United States were greatly appreciated. He wanted to stress, however, that Afghanistan's political problems with Pakistan still exist, and Afghanistan's policy has in no way changed as a result of the transit project. Afghanistan desires a peaceful and brotherly solution to its differences with Pakistan, but the Prime Minister emphasized that at this time nothing was being done toward a solution of these political problems.

¹ Source: Department of State, Central Files, 689.90D/6-2458. Confidential. Drafted by Poullada on June 25.

**109. Memorandum of a Conversation, Department of State,
Washington, June 25, 1958¹**

SUBJECT

Economic Problems of Afghanistan

PARTICIPANTS

Mr. C. Douglas Dillon, W
Mr. James H. Smith, Jr., Director, ICA
Mr. Sheldon T. Mills, Ambassador to
Afghanistan
Dr. D. A. FitzGerald, Deputy Director,
ICA
Mr. John O. Bell, Regional Director,
ICA
Mr. Frederic P. Bartlett, SOA
Mr. Leon B. Poullada, SOA

H. R. H. Sardar Mohammad Daud,
Prime Minister, Afghanistan
H. E. Mohammed Yusuf, Minister of
Mines and Industry
H. E. Mohammed Hashim
Maiwandwal, Ambassador of
Afghanistan
H.E. Abdul Rahman Pazhwak,
Permanent Representative to the
UN

¹ Source: Department of State, Central Files, 889.00/6-2558. Official Use Only. Drafted by Poullada.

Mr. G. M. Sarwar, Deputy Minister of
Commerce
Mr. Abdul Kayeum,
Vice President, Helmand Valley
Auth.

The Prime Minister stated that the economic needs of Afghanistan are very great. He would leave discussion of details to his colleagues, but in general, he wished to mention problems in connection with the following: (a) the Helmand Valley; (b) small scale industries; (c) education; (d) Five Year Plan; and (e) air project.

Mr. Dillon said that he wished to give the Prime Minister some background on the DLF² since that related to the general problem of economic development raised by the Prime Minister. He then explained the rationale and the history of the DLF, emphasizing that the trend in U.S. assistance is toward loans rather than grants. He emphasized that DLF loans could be repaid in local currency and the repayments could in turn be re-lent for further economic development. Mr. Dillon then said that we fully understand and sympathize with the Afghan decision not to incur additional foreign debts, but this decision raises certain problems for the U.S. in view of the general policy to rely on loans rather than grants as a vehicle for aid.

In regard to the Helmand Valley, Mr. Dillon stated that we are as interested as the Afghans in making that project a success. We recognize that a problem exists with regard to the proper development of agriculture in the valley and would be happy to assist in arriving at a decision in this regard. The responsibility for the technical study of an agricultural program rests with ICA.

The Prime Minister expressed his thanks for Mr. Dillon's explanation of the DLF, stating further that the Afghan decision not to incur further foreign debts is based upon an analysis of their financial position. The Afghan Government wishes to maintain its credit and to be fair with those friends who have assisted Afghanistan with loans. He emphasized that Afghanistan is suffering from a shortage both of foreign exchange and local currency.

With regard to the Helmand, the Prime Minister related the history of this project emphasizing that the decision to expand the project from operation of the single Boghra canal to its present dimensions was based upon advice given by American engineers (Henderson and Alexander) then employed by the Afghan Government. In spite of the unfortunate history of this project, the important consideration is its future. The Afghan Government wants to complete the project with U.S. assistance. The long-term nature of the project is fully realized,

² The Development Loan Fund was established by the Mutual Security Act of 1957 and approved on August 14, 1957. (71 Stat. 355)

but it is hoped that certain things can be done now to make the project productive, at least in part. In order to do this, the Afghan Government is considering the possibility of mechanized agriculture, of developing the power potential of the Kajakai dam, and of establishing small scale industries. With regard to the last, the Afghan Government is willing to permit Afghan private industry to apply for DLF loans. The Prime Minister also mentioned the need for improved flood control in the Helmand.

Mr. Dillon explained that although the DLF is the major source of funds for U.S. assistance, he had not intended to imply that it is the only source. It is our intention to continue to support the project by using special assistance funds more or less on the present scale. It would be difficult, however, to obtain grant assistance for any substantial expansion in the Helmand project or for new projects. With regard to the specific suggestions made by the Prime Minister, we would be willing to study the feasibility and potential market for Kajakai power and to assist in devising a suitable agricultural development program. We are gratified that the Afghan Government is willing to consider the use of DLF for the development of small scale industries in the private sector.

Mr. Smith asked the Prime Minister for his views on the U.S.-supported education program in Afghanistan. The Prime Minister replied that he has a personal interest in this program, adding jocularly that the Afghans have sometimes been accused of letting the U.S. participate only in projects which are not of a "visible" nature. For this reason he wished to request U.S. assistance in the construction of buildings for Kabul University which would be a "visible" symbol of American aid for all Afghans. He would also like the U.S. to provide professors for that institution. He emphasized that he had mentioned the other economic problems only as suggestions and as illustrations of Afghanistan's great need, but that in the field of education, he wished to make a specific request for assistance to Kabul University.

Ambassador Mills inquired whether the Prime Minister is aware that ICA has already made \$1.5 million available for these buildings and that architects are already drawing plans. The Prime Minister confirmed that he knew this, but said he would like to see the construction program started and accelerated. Mr. Smith remarked that he greatly appreciated the Prime Minister's personal interest in the education project.

The Prime Minister noted that it had not been possible to discuss the other topics which he had raised at the beginning of the conversation, but that his schedule required the meeting to close. He hoped that the discussion could be resumed later.

**110. Memorandum of a Conversation, White House,
Washington, June 26, 1958, 2:30 p.m.¹**

SUBJECT

Prime Minister Daud's Visit with the President

PARTICIPANTS

The President
The Secretary of State
Mr. William M. Rountree, NEA
Ambassador Sheldon T. Mills
Mr. Frederic P. Bartlett, SOA

H.R.H. Sardar Mohammad Daud
Ambassador Mohammad Hashin Maiwandwal
Dr. Mohammad Yusuf
Mr. Abdul Rahman Pazhwak

In reply to the President's query regarding his visit to Washington, the Prime Minister stated that he had been very busy, but in a most pleasant way and was thoroughly enjoying the hospitality which had been extended to him by everyone whom he had met.

The President commented that Mr. Rountree had told him of some of the matters which the Prime Minister had discussed with American officials. He thought that in each of these matters we might in some way be helpful; certainly we wished to be helpful. The Prime Minister expressed his appreciation for the President's interest in these matters. He said that he had had the pleasure of discussing with United States officials some of Afghanistan's problems and of explaining to them his country's needs. He had made it clear that he would appreciate help, and also that he did not wish to put things forward which would cause us any undue trouble.

The President expressed a particular interest in the Helmand Valley project and said that he hoped that we could assist the Prime Minister in bringing it to complete efficiency. He was sure that we could provide technicians to help in realizing this. The President noted that Ambassador Mills would be returning to Kabul and would, of course, keep in touch with the Prime Minister and his colleagues. The Ambassador would be in a position to let us know how we might be of assistance in connection with specific projects.

The President stated he respected completely the middle position of the Government of Afghanistan and that it did not affect in any way the desire of the United States Government to help the Prime Minister

¹ Source: Department of State, Central Files, 033.8911/6-2658. Confidential. Drafted by Bartlett. At 11 a.m., the President was briefed about the Daud visit by Dulles, Rountree, Mills, and Bartlett. A memorandum of that conversation, drafted by Rountree and Bartlett, is *ibid*.

and his Government in their efforts toward bettering the welfare of the Afghan people. While he respected Afghanistan's neutral position, the President continued, he thought that His Royal Highness might wish to hear from the President himself that the Soviet Union was not in a position to start a world war without itself being completely destroyed. The United States wanted to assist in bringing about conditions which would make controlled disarmament possible, but the United States would not let itself be intimidated by any country. The United States wanted peace, the Secretary said, but we were a bit like the philosopher who remarked: "We are going to have peace even if we have to fight for it." The United States will never attack anyone, but neither will we ever allow ourselves to get to a position where an aggressor might be able to gain by aggression.

The President recalled his speech of 1953 in which he had expressed the United States intention, if controlled disarmament were successfully implemented, to use in part the resulting reduction in military expenses to extend help to free countries which needed it.² He hoped that this assistance could be a very large percentage of our savings. For instance, under conditions of effective disarmament, we might be able to ask Congress for ten billion dollars rather than for the three or four billion dollars which we were asking Congress to appropriate under the Mutual Security Program for this year. Such expanded aid would not only help our friends, but would be to the advantage of the United States itself in increasing the market for American products abroad.

The President wondered whether the Prime Minister wished to make any remarks. The Prime Minister replied in the negative.

The Secretary noted that the Prime Minister and he would be returning to the State Department immediately after the meeting in the President's office and would sign a cultural agreement between our two countries.³ This would be the second we had signed, the first being with Germany. The Secretary also noted that a proposed joint statement summarizing the talks between the Prime Minister and the President and other American officials had been prepared and suggested that the President and the Prime Minister might like to concur in it. This was done and it was decided to issue the statement for release at 10:00 a.m., June 27, upon the Prime Minister's departure from Washington.⁴

² Reference is presumably to Eisenhower's "Atoms for Peace" speech, delivered before the U.N. General Assembly on December 8, 1953; for text, see Department of State *Bulletin*, December 21, 1953, pp. 847-851.

³ For text of this Agreement, effected by an exchange of notes, see 9 UST (pt. 2) 997.

⁴ For text of the joint statement, see Department of State *Bulletin*, July 21, 1958, pp. 127-128.

The Prime Minister in conclusion stated that, speaking on behalf not only of himself but of the Afghan people, he wished to let the President know that he and the Afghan people thought of the President and of the American people only as friends of Afghanistan. The President expressed his deep gratification at the sentiment expressed by the Prime Minister.

**111. Memorandum of a Conversation, Department of State,
Washington, June 26, 1958¹**

SUBJECT

United States-Afghan Economic Relations

PARTICIPANTS

United States

The Secretary

Mr. C. Douglas Dillon, W

Mr. William M. Rountree, NEA

Sheldon T. Mills, Ambassador to
Afghanistan

Mr. John O. Bell, ICA

Mr. Frederick Bartlett, SOA

Mr. Armin Meyer, SOA

Mr. John Howison, SOA

Afghanistan

Sardar Mohammad Daud, Prime
Minister of Afghanistan

Mohammed Hashim Maiwandwal,
Ambassador of Afghanistan

Abdul Rahman Pazhwak, Permanent
Representative of Afghanistan to the
United Nations

Dr. Mohammed Yusuf, Minister of
Mines and Industries

The Secretary recalled that on the previous day the Prime Minister had had discussion of economic questions with Messrs. Dillon and Smith. He asked what the prospects were for the Helmand Dam project.

Mr. Dillon stated that an aspect of this problem which requires prompt and careful study is that of how to make best use of the land irrigated from the Helmand. It appeared likely that a part of the land would lend itself to mechanized agriculture. The United States was attempting to get a team of highly qualified experts into the field to study this question. Another possibility was that of power development at Kajakai for distribution in the Kandahar-Quetta area. If this were found feasible, the next step would be to seek necessary funds. So far as the United States was concerned, the DLF was the most likely source. We recognize that the Afghanistan Government has for good

¹ Source: Department of State, Central Files, 889.00/6-2658. Secret. Drafted by Howison.

reason decided against further foreign loans, and noted with gratification the Prime Minister's statement that DLF loans to the private sector in Afghanistan would be permissible.

Mr. Dillon recalled that Prime Minister Daud had indicated that the Afghanistan Government was also facing a severe shortage of local currency. The United States might be able to help in this regard through delivery of consumer commodities under PL 480. Whereas previous PL 480 assistance to Afghanistan had emphasized wheat, it was possible that other commodities might also be made available. We were willing to consider these possibilities in an effort to work out a maximum, program.

With reference to an expression of interest by the Afghan Minister of Mines and Industries in petroleum exploration in the southern part of Afghanistan, Mr. Dillon stated that he would endeavor to arrange for the Afghan Minister, when the latter visits New York, to make contact with petroleum companies.

The Secretary and the Prime Minister agreed that there were no further economic questions for discussion at this time and that further interchanges regarding United States–Afghanistan economic cooperation could take place between the Government of Afghanistan and Ambassador Mills.²

² Following his official 3-day visit to Washington, Prime Minister Daud embarked on an 11-day tour of the United States, June 27–July 7. Additional documentation on the Daud visit is *ibid.*, 033.8911.

112. Memorandum of a Conversation, July 6, 1958¹

SUBJECT

Anti-Americanism in Asia

PARTICIPANTS

Prime Minister Daud of Afghanistan
Afghan Ambassador Maiwandwal
SOA—Armin H. Meyer

During one of our conversations aboard the plane carrying him on tour of the United States, Daud was asked to reflect on the question as to why the United States is so much on the defensive in Asia and

¹ Source: Department of State, SOA Files: Lot 62 D 43, Afghanistan 1958. Confidential. Drafted by Meyer.

elsewhere despite the fact that American policies are so well intentioned and the only American motivation is the maintenance of the freedom and independence of free countries everywhere.

Several days later Daud replied, suggesting the following as his reasons why the United States is criticized and under attack at so many places:

1. The United States Government has too frequently identified nationalism in Asia as Communism. Asians, he said, have had long and bitter colonial experiences. They are sensitive about their newly won independence. They become bitter when Americans attribute their yearning and aspirations to Communist motivation.

2. The United States is too frequently associated with the colonialism of European powers. He cited Algeria as an example.

3. United States supported collective security pacts have produced unfortunate consequences in Asia. Initially, these pacts resulted in two categories of friends for the United States and frictions inevitably developed. Subsequently, non-pact countries against their deep desires were forced to build up their military establishments at the expense of economic development.

4. There is too much red tape connected with American assistance programs. By contrast the Soviets require practically no time-consuming and frustrating bureaucratic paper work, organization and implementation.

5. The United States too often is associated in the minds of Asians with unpopular regimes. It would behoove the United States to recognize Nasser and other Afro-Asian leaders as representatives of Asian feelings rather than automatic enemies of the United States.

In response, I tried to better Daud's understanding of the American positions on all five of the above, in accordance with our official attitudes toward these subjects. On Item No. 4, I frankly stated that our system was at a distinct disadvantage as over against a totalitarian one although some improvement is constantly being sought to reduce the red tape in American assistance programs.

113. Despatch From the Embassy in Afghanistan to the Department of State¹

No. 62

Kabul, July 30, 1958.

SUBJECT

American and Pakistani Policy Towards Afghanistan in the Light of the Iraqi Coup²

The fall through murder of the Hashemite dynasty in Iraq and the establishment of a republic under a largely military Junta is believed to have profoundly disturbed the Afghan Royal Family and to have created among at least some of the Afghan intelligentsia (who are synonymous with the Afghan bureaucracy) an expectation that other dynasties, including the Pahlevi dynasty in Iran, may soon fall, and that under the impact of these events a coup in Afghanistan might easily occur and overthrow the Yahya Khel branch of the Moham-medzai tribe which today is the Royal Family of Afghanistan.

The Pakistan Ambassador in Kabul appears to be almost jittery in anticipating this development. He has stated to me that it might happen tomorrow. At the same time he recognizes that it might not occur for ten years, if then. He is nervous because he feels that his Government looks to him to be prepared, should the Afghan Royal Family be overthrown, to see to it that the succeeding government is not a tool of the USSR and is as friendly as possible to Pakistan. He visualizes the possibility of the USSR seizing such a development to take over Afghanistan or a part of it, or to install a pro-Soviet puppet government. Pakistan, he logically argues, must be prepared to prevent such a development. The best way to do so, he argues is [*less than 1 line of source text not declassified*] to [*2 lines of source text not declassified*] form a republican government which would oppose Soviet domination and, if possible, be friendly to Pakistan. The alternative is the likelihood, as he sees it, of having the Soviets threatening Pakistan from the Durand Line³ rather than from the Oxus.

I and my closest advisers are not able to evaluate the likelihood of such an unfortunate sequence of events taking place. We fully realize that the present regime enjoys very little, if any, popularity among

¹ Source: Department of State, Central Files, 789.00/7-3058. Secret.

² On July 14, an Army revolt broke out in Iraq. King Faisal, Crown Prince Abdul Ilah, and General Nuri al-Said were assassinated and a republican regime was proclaimed.

³ The Durand Line was the boundary line between British India and Afghanistan, drawn by a British mission under Sir Henry Mortimer Durand and agreed to by Amir Abdur Rahman of Afghanistan on November 12, 1893.

either the masses or the elite, except for those closely related by blood or marriage or whose destinies are closely linked with it. If there were a means to consult the wishes of the people, the verdict against the regime probably would be overwhelming. At the same time it should be noted that no regime in Afghanistan has enjoyed popularity after it has been in power for a few years and it is doubted that any new regime of whatever character would long enjoy popular favor. Although a republic might be established on paper, it is doubtful it could long remain in power unless it resorted to repression much as does the present regime. With the overthrow of the monarchy and the disappearance of the central control which it exercises, Afghanistan might descend into chaos or fall apart, with Pakistan attempting to extend her influence to the Hindu Kush, the USSR occupying the northern regions of the country with a puppet government, and Iran reviving her ancient claim to the western portions of the country. It is, of course, possible that some new, unknown military leader might overthrow the Royal Family and through a military dictatorship keep the country together for a time. All we can do is speculate. We come to the conclusion, however, that, unpopular as it presently is, the present regime is preferable to any alternative in sight, and a continuation of the status-quo presents far fewer risks of domination of Afghanistan by the USSR.

If these considerations are valid then the policy of the Government of the United States must remain that of supporting the present regime as we have done through, for example, the transit project and the invitation to Prince Daud to visit the United States.

Should this regime be overthrown, it is likely at least initially that a cult of hate would sweep the country which would engulf all those who had aided the present regime. Such hatred without doubt would also attach to the United States. If the new regime were Soviet dominated or manipulated, there would be no prospect of the United States gaining any influence with it. If, on the other hand, the revolt were purely indigenous, it is probable that it would seek to continue United States assistance in economic development and the initial animosity might wear off quickly. [2 lines of source text not declassified]

[3½ lines of source text not declassified] I and other officers of the Embassy will not give potential dissidents any grounds for believing that the United States would welcome an overthrow of the present regime by force, since that is the only way it could be dislodged. This does not mean, however, that our attempts to identify such elements through indirect means and assess their motivation and potential should be abandoned. The degree of confidence which the Royal Family now has in the straightforwardness and the honesty of the United States could fall precipitately and probably would be succeeded by a complete lack of trust and faith in the United States

should any indiscreet acts on our part be discovered. Faced with the choice of maintaining faith by the present regime in the United States or trying to curry favor with some conjectural regime which may succeed it, the practical choice is the first.

[2 paragraphs (31 lines of source text) not declassified]

Would it be possible for the Royal Family to increase its popularity? Without doubt the Family's popularity could at least temporarily be increased by a few bold steps towards the establishment of elementary democratic institutions such as free municipal elections, freer elections to the National Assembly, the establishment of a freer press, and eventually the establishment of a political party which initially might be an official party. The Royal Family is thought to believe that even such first steps towards democracy at the present time would be their undoing. I and my closest advisers are inclined to agree that this is so at least over a few years. Although over one or two generations it is conceivable that Afghanistan might gradually evolve towards a constitutional monarchy, [1½ lines of source text not declassified] if restrictions are lifted soon it will not be long before a demagogue will find it comparatively easy to organize an uprising against the principle of monarchy itself. In other words it is probably true that the present Royal Family can continue in power only by the continuation of the highly centralized control and repression which currently characterize the system of government.⁴

Sheldon T. Mills

⁴ According to a handwritten note on the source text, the last paragraph of this despatch was deleted "per INR—Mr. Arneson 8/24/58." R. Gordon Arneson was Deputy Director of the Bureau of Intelligence and Research.

114. Memorandum of a Conversation Between the Afghan Ambassador (Maiwandwal) and the Assistant Secretary of State for Near Eastern and South Asian Affairs (Rountree), Department of State, Washington, October 13, 1958¹

SUBJECT

Afghanistan-Pakistan Relations

Ambassador Maiwandwal began the conversation by stating that he had read the news of developments in Pakistan.² He wished to hear Mr. Rountree's reactions to these developments since, in his opinion, the United States and Afghanistan have much the same attitude toward Pakistan.

Mr. Rountree indicated that, considering the way the political situation had been evolving, the recent action in Pakistan was not one of great surprise. The specific circumstances under which Presidential rule was prescribed and the timing of this action were, however, somewhat surprising to most observers. Mr. Rountree stated that we are gratified that both Mirza and Ayub have reaffirmed Pakistan's foreign policy of cooperation with the free world. He noted that we have no reason to doubt this reaffirmation. Mr. Rountree told Ambassador Maiwandwal that we were pleased that Mirza included the Ambassador of Afghanistan along with the Ambassadors of the United States, Turkey, and Iran in the diplomatic group which he invited to his house on the evening of the take-over to explain his action. Mr. Rountree thought the inclusion of the Afghanistan Ambassador was quite significant. It is our general impression that both Mirza and Ayub have advocated closer relations with Afghanistan. Referring to his visit to Pakistan last year, Mr. Rountree noted that Mirza had emphasized the importance of such relations.

Mr. Rountree told Ambassador Maiwandwal that we were, of course, sorry that the constitution had been set aside. However, we take with great seriousness the statements of Mirza that the political situation required such action on his part, and that martial law will be

¹ Source: Department of State, Central Files, 689.90D/10-1358. Secret. Drafted by David B. Bolen.

² On October 7, President Mirza issued a proclamation that abrogated the Pakistani Constitution, dismissed the Central and Provincial Governments, dissolved the National and Provincial Assemblies, abolished all political parties, proclaimed martial law, and appointed General Ayub Khan as Chief Martial Law Administrator. Between October 10 and 12, a number of leading Pakistani political leaders were arrested under the Security of Pakistan Act, including Pushtu leaders Abdul Ghaffar Khan and Abdul Samad Khan.

ended soon. Mr. Rountree expressed the hope that Mirza's action would prevent corruption and curb other such divisive tendencies and that out of this action will come good.

Ambassador Maiwandwal responded by saying that he had received instructions from his government to bring to the attention of the United States Government the possible disturbing effect of recent developments in Pakistan on Afghanistan-Pakistan relations. The Ambassador stated that Mirza and Ayub had made two public statements against the dissolution of "one-unit" administration in West Pakistan. This, coupled with the arrest of Ghaffar Khan and Abdul Samad Khan, two Pakistan Pushtu leaders, has caused great anxiety in Afghanistan. He stated that he was told to convey the deep concern of his government with respect to these developments. This concern, according to Ambassador Maiwandwal, had led Foreign Minister Naim to cancel his plans to visit the United States to undergo medical treatment.

Ambassador Maiwandwal reviewed the sharp deterioration in Afghanistan-Pakistan relations which occurred in 1955 when Pakistan announced its intention to merge the provinces of West Pakistan into one unit.³ Referring to the improvements in relations since that time, Ambassador Maiwandwal stated that Mirza had been one of the principal architects of the new phase of friendship between Afghanistan and Pakistan. He stated that Mirza had shown a will and determination to meet the Pushtu point of view. Mirza had pointed out that because of constitutional restrictions, he was not free to resolve the "one-unit" question, but that if he had the authority, he would not hesitate to act. The Ambassador indicated that his government hoped that Mirza would not do anything more that might affect adversely Afghanistan-Pakistan relations.

Ambassador Maiwandwal mentioned the correspondence between President Eisenhower and King Zahir following the deterioration in Pakistan-Afghanistan relations as a result of Pakistan's decision to merge the provinces of West Pakistan into one-unit. He stated that this exchange of letters had helped toward good future relations with Pakistan, and through Pakistan with the free world which the Government of Afghanistan desires.

Mr. Rountree responded by saying that our interest in creating an atmosphere conducive to cooperation and better relations between Afghanistan and Pakistan is manifest in many ways. Such interest includes not only oral representation but also economic aid to both countries designed to promote better relations. He stated that the United States would very much regret developments which would

³ On September 30, 1955, the Pakistani National Assembly passed legislation merging all of West Pakistan into a single administrative unit; the "one-unit" law took effect on October 14, 1955.

impair the progress toward better relations between Afghanistan and Pakistan which we have been pleased to witness. Our attitude toward a rapprochement between the two countries has not changed, nor has our interest in such rapprochement diminished. It is our earnest hope that recent developments in Pakistan may be used as a new point of departure to promote better relations between the two countries.

In response to a request by Ambassador Maiwandwal, Mr. Rountree stated that he would be pleased to convey the views expressed by the Ambassador to Secretary Dulles. He expressed confidence that the Secretary would share his hope that, at this crucial time, both Afghanistan and Pakistan would do everything possible to maintain friendly relations.

115. Memorandum of a Conversation Between the Afghan Ambassador (Maiwandwal) and the Assistant Secretary of State for Near Eastern and South Asian Affairs (Rountree), Department of State, Washington, October 15, 1958¹

SUBJECT

Afghanistan–Pakistan Relations

Ambassador Maiwandwal called to continue his discussions of recent developments in Pakistan and to obtain additional information which he could convey to his government.

The Ambassador stated that Prime Minister Daud was recently interviewed by a representative of the Bakhtar News Agency relative to developments in Pakistan. The Prime Minister expressed deep regret over the arrest of Ghaffar Khan and Samad Khan but declined to comment. Ambassador Maiwandwal said that he had requested Prime Minister Daud to refrain from comment until he submitted his report on the views of the United States Government, which he hoped would be optimistic in connection with the future of Afghanistan–Pakistan relations.

Ambassador Maiwandwal expressed the hope that President Mirza would reassure the authorities in Kabul that he would act consistent with the aspirations of the Pushtu people. He observed that President Mirza is now in a position to advance the establishment of a Pushtu province in Pakistan.

¹ Source: Department of State, Central Files, 689.90D/10–1558. Secret. Drafted by Bolen.

Mr. Rountree stated that he was personally optimistic that cordial relations would be maintained between Afghanistan and Pakistan. He emphasized that President Mirza is an advocate of closer relations between the two countries. Mr. Rountree expressed confidence that Mirza would act consistent with this friendly attitude. He thought it was significant that the Afghan Ambassador in Karachi was invited to attend the important meeting at which Mirza and Ayub announced the formation of the new government. He reiterated that the United States' interest in rapprochement between Afghanistan and Pakistan is not diminished.

Mr. Rountree thought Prime Minister Daud was wise to be restrained and cautious in his public comments relative to developments in Pakistan. He expressed the view that it might help establish a basis for reciprocal action if the RGA would indicate confidence that problems between Pakistan and Afghanistan would be resolved.

Ambassador Maiwandwal responded by saying that such a course of action would present some internal political problems, particularly with the Pushtu people. Mr. Rountree replied that the reaction in Afghanistan would depend on how this confidence was expressed.

Ambassador Maiwandwal wondered whether there was any possibility of obtaining the release of Ghaffar Khan and Samad Khan, the two Pakistan Pushtu leaders recently arrested by the new regime in Pakistan. He believes the release would benefit Afghanistan-Pakistan relations. Mr. Rountree stressed that the United States could take no action which might be construed as interference on its part in the internal affairs of Pakistan. He said that in our efforts to be helpful in connection with relations between Afghanistan and Pakistan, we must, of course, act in accordance with this principle and within limits of propriety. He stated that the United States would particularly regret any arrests which do not constitute a threat to the national security of Pakistan. Mr. Rountree pointed out that we do not have details on the arrest of Ghaffar Khan and Samad Khan. As we discuss developments with the Government of Pakistan and obtain the facts, we will share them with Ambassador Maiwandwal.

Ambassador Maiwandwal thought the establishment of the new regime in Pakistan could be a turning point in better relations between Afghanistan and Pakistan. He believes the Government of Pakistan is now in a better position to undertake measures to solve outstanding problems. He indicated that the question of creating a Pushtu province within Pakistan was the principal obstacle to better relations between the two countries. The Ambassador stated that the creation of such a province would not be a loss to Pakistan and would please the Afghans.

Mr. Rountree told the Ambassador that he might wish to inform his government of the United States' hope and confidence that the reaction of the RGA to developments in Pakistan will be constructive. In our contacts with the Government of Pakistan we will do what we can to promote better relations. This is what we have sought in the past; this is what we now seek.²

² Telegram 226 to Kabul, October 17 (also sent to Karachi), summarized Rountree's conversations with Maiwandwal on October 13 and 15. (*Ibid.*, 790D.00/10-1758)

116. Telegram From the Embassy in Pakistan to the Department of State¹

Karachi, October 29, 1958—10 a.m.

1049. Reference: Deptel 914.² Exigencies McElroy visit³ and exit Mirza postponed opportunity to talk about Pakistan-Afghanistan relations with Prime Minister until after post abolished and its occupant, General Ayub, became President.⁴ It then imperative, because previously Mirza had been permitted to set tone of GOP attitude towards RGA, determine Ayub's attitudes and convictions this subject. Using fact I am visiting Kabul October 31–November 2 as excuse, saw President Ayub by appointment his first day in office.

Ayub expressed desire GOP for friendly relations with RGA. He indicated belief continuation present regime in Kabul in GOP interest, but expressed concern at Soviet infiltration of country. He dismissed arrests of Ghaffar Khan and Samad Khan Achakzai as internal GOP security problem and in no way intended as an affront to Afghanistan.

I told Ayub US appreciative of GOP efforts to improve relations with Afghanistan peacefully and constructively, and hoped such a policy would continue. I said I would attempt to reassure Afghanis-

¹ Source: Department of State, Central Files, 689.90D/10-2958. Secret. Repeated to Kabul.

² In telegram 914, October 22, also sent to Kabul, the Department requested Ambassador Langley, on a suitable occasion, to "mention to Mirza and Ayub that we understand RGA somewhat apprehensive over recent arrests Ghaffar Khan and others and reiterate desirability from free world's viewpoint of maintaining and if possible of improving good Pak-Afghan relations. Ambassador might note we assume Pakistan leaders are of same opinion in light benefits accruing to Pakistan by close, amicable ties with Afghanistan." (*Ibid.*, 790D.00/10-2258)

³ Secretary of Defense McElroy was in Pakistan, October 23–27; see Document 331.

⁴ On October 27, Mirza announced that he was resigning in order to hand over all power to Ayub Khan. That evening, Ayub became President of Pakistan.

tanis as to GOP intentions in any talks I might have with them in company of Ambassador Mills coming weekend. Mirza had previously told me he felt my visit to Kabul could be helpful to GOP at this time and Ayub of same opinion. However, Ayub's mind concentrated on more pressing internal problems at this time, and further development of his position regarding Afghanistan will undoubtedly hinge upon advice of new political associates.

Upon my return from Kabul will seek opportunity to discuss matter with him more at length and leisure in effort to balance political and military considerations in his mind. Discussions I had with Generals Musa and Rana in Peshawar past weekend indicated military defense considerations may tend to overwhelm political judgments in Ayub regime. Musa, other hand, is perhaps most anti-Communist of all Pakistani generals.

Langley

117. Telegram From the Embassy in Afghanistan to the Department of State¹

Kabul, November 3, 1958—2 p.m.

406. I accompanied Ambassador Langley in hour call on Naim morning first.

Conversation dealt with recent developments Pakistan and Afghanistan-Pakistan relations. Langley stated that in conversation with Ayub day after latter became President, Ayub expressed greatest good will towards and desire for friendship with Afghanistan.

Naim stated Afghanistan Ambassador Zahir (who returned to Kabul October 31) had also seen Ayub but latter spoke only in vague generalities. Zahir had seen Mirza shortly after first coup and latter, who had shown such understanding and comprehension, had been a changed man.

Naim dwelt at some length on harshness of arrests of Abdul Ghaffar Khan and Abdul Samad Achackzai; he said they had not been in government and therefore could be no question of their being guilty of corruption. Their arrest had been profoundly shocking to Afghanistan. Second point which worried RGA was statement, made by both Mirza before ouster and by Ayub, that new government would be

¹ Source: Department of State, Central Files, 790D.00/11-358. Confidential. Repeated to Karachi, Tehran, Ankara, and New Delhi.

unitary. Naim said this would be less responsive to Pushtun aspirations than under British. Finally Naim stated there no freedom of expression in Pakistan.

Langley told Naim there might be some misunderstanding of what is in mind by unitary government. Under old constitution both West Pakistan and East Pakistan had certain attributes of sovereignty. Langley has found that thinking is that new constitution would restore these elements sovereignty to central government and then certain of them would be redelegated to new provinces of which would be four in West Pakistan and probably two in East Pakistan. When asked by Naim what powers such new provinces would have, Langley said he could only speculate but probably collection of taxes and their expenditure on such things as schools and public works. Naim asked if thought was being given to restoring provincial legislatures. Langley replied he imagined that under new constitution provinces would have governors and they inevitably would have to have some machinery such as councils. Ayub also has said publicly he believed in "Jirga" system and thought it should be restored for it much more suitable than British system of justice.

Langley told Naim he had already mentioned to Ayub Afghanistan concern over arrest Pakistan Pushtun leaders and he would bring it up again. [2½ lines of source text not declassified] Ayub had told Secretary McElroy he wished extend provision of Pakistan forces with US equipment (in place of British) and this would increase degree of US control over Pakistan military forces through munitions control. He assured Naim this degree of control would be exercised to see to it that Pakistan used its military equipment only for defense and not for offense.

I raised question as to whether, at later appropriate time, direct contact between RGA and GOP should not be renewed. I pointed out RGA had been successful in inculcating in Mirza an understanding and appreciation of its point of view. Now Mirza has given way to Ayub. It discouraging to have to start all over again, but Ambassador Langley had to do same thing since excellent relations he had built up with Mirza now had no meaning. In other words would it not be advisable at appropriate time for RGA to establish direct contact with Ayub and do with him what had been done with Mirza? Naim stated he had been prepared spend 24 hours with Mirza October 12 and 13 then arrest of Ghaffar Khan had led him to cancel this plan.

Langley stated Ayub is vain man and responds to flattery. Also he and his government are very sensitive to outside public opinion. He thought if RGA at later appropriate time invited Ayub to visit Kabul it would pay big dividends.

Naim stressed that Afghanistan wanted only most amicable relations with Pakistan particularly for security reasons. He stated the two countries should be close friends particularly if there should be trouble from north. If such pressure were brought on Afghanistan, it would be very bad for Pakistan.

Explanation of Langley regarding thinking of current Pakistan Government with respect to new constitution interested Naim. Langley stated that in off-record conference with Pakistan press Ayub had stated he thought new constitution could be drawn up and power turned over to civilians in about a year. Ayub did not state this when he met foreign press. It was only indication he had had of what was in mind as to timing.

In conclusion Naim expressed appreciation for US efforts to better relations between GOP and RGA and hoped they would continue.

I became indisposed during day and DCM Elwood accompanied Ambassador Langley in call on Prince Daud that same afternoon. With Afghanistan Ambassador to Pakistan Zahir acting as interpreter, Ambassador Langley went over much same ground he had covered previously with Naim. Daud said recent utterances Pakistan leaders and arrests Pushtun leaders causing great anxiety in Afghanistan. Just as RGA had discussed frankly with Ambassador Ward² several years back adverse repercussions to be expected from "one unit" administration of West Pakistan then in process of adoption, so Daud wished state frankly that adoption new form of government which did not take into account aspirations of Pushtuns would cause adverse reactions among Pushtuns in Pakistan, an influence on Ayub, Daud said he agreed completely. [*sic*]

Believe visit Ambassador Langley to Kabul extremely well timed and will tend reassure RGA that if it exercises patience, trend towards bettering relations with Pakistan can in future be resumed.

Mills

² Angus Ward, Ambassador to Afghanistan, 1952-1956.

118. Memorandum From the Under Secretary of State (Herter) to the President¹

Washington, November 8, 1958.

SUBJECT

Determination under Section 451(a) of the Mutual Security Act of 1954,² as amended, approving use of funds available under Section 103(a) of Chapter I of that Act for Training of Afghan Military Personnel

Pursuant to a request by the Government of Afghanistan, the Embassy in Kabul has recommended an expansion in the fiscal year 1959 program for the training of Afghan military personnel. The proposal calls for the training in the United States of 23 Afghan Army officers and 25 Air Force officers; invitations to 3 senior officers of the Afghanistan Armed Forces to visit the United States; and the establishment of English language training facilities in Afghanistan. The Department of Defense supports this request and estimates the cost to be \$845,000. The Department of State endorses this proposal as helpful to immediate United States policy interests in Afghanistan. It is consistent with the course of action set forth in paragraph 77 of NSC 5701³ that the United States encourage Afghanistan to minimize its reliance upon the Communist bloc for military training.

Afghanistan remains a contested field in the cold war. The Soviet bloc considers Afghanistan's location as strategic and is carrying out a major economic offensive in that country. This effort is designed to increase Soviet influence in Afghanistan as a vehicle for the extension of Communist influence in South Asia. Since 1954 Afghanistan has received loans from the Soviet bloc totaling \$158 million, including some \$25 to \$35 million for arms. As a result, Soviet participation in Afghanistan's foreign trade, economic development, and military programming and training is becoming increasingly important. The presence of more than 400 Soviet bloc technicians, including personnel to train Afghan military forces, has enhanced the Communist subversion potential. This massive program, augmented by official visits and cultural exchanges, constitutes a threat to Afghanistan's independence.

The Government of Afghanistan continues to exhibit a desire to balance its close relations with the Soviet bloc through countervailing close relations with the free world. This is reflected not only in the request under consideration but by recent official expressions of Afghan desire for private American capital, increased United States par-

¹ Source: Department of State, Central Files, 789.5-MSP/11-858. Secret.

² The Mutual Security Act of 1958, Public Law 85-477, was enacted on June 30, 1958. (72 Stat. 261)

³ For text of NSC 5701, "U.S. Policy Toward South Asia," dated January 10, 1957, see *Foreign Relations, 1955-1957*, vol. VIII, pp. 29-43.

participation in the field of education, additional technical and commodity assistance, and Development Loan Fund loans for private industry in Afghanistan. Since the official visit of Prime Minister Daud in June/July 1958, senior Afghan military personnel in particular have expressed an interest in developing close relations with United States armed forces. It is in the interest of the United States to continue to provide an alternative to Afghanistan's dependence on the Soviet Union, as noted in paragraph 31 of NSC 5701. During the past two years, pursuant to determinations by you, the Department of Defense has carried out training in the United States involving 41 Afghan army and air force personnel. It is believed that this program has been instrumental in encouraging the Afghan authorities to have confidence in the desirability and practicability of seeking military training assistance in the free world in order to reduce their reliance on the Communist bloc for such training.

It is considered that it would be undesirable and self-defeating to require Afghanistan, as a prerequisite to the extension of U.S. training assistance, to enter into a formal agreement embodying the undertakings specified by Section 142(a) of the Mutual Security Act of 1954, as amended (hereinafter referred to as "the Act"). Afghanistan would probably refuse to enter into such an agreement, and, even if Afghanistan were willing, it would be undesirable to do so, since conclusion of such an agreement would imply upon our part an intent to cooperate militarily with Afghanistan on a far wider scale than is foreseen under the present modest program. In addition, conclusion of such an agreement might provoke new Soviet pressures in Afghanistan of a magnitude which Afghanistan would not be able to counter effectively. It is also considered undesirable to obtain from Afghanistan an agreement required by Section 511(c) of the Act to return to the United States such minor training equipment and materials as may be furnished to Afghanistan when they are no longer required for the purposes for which made available. It is therefore necessary to waive this requirement as well under Section 451(a) of the Act.

It is considered that the furnishing of the proposed assistance and the use of funds available therefor under Section 103(a) of Chapter I of the Act are in furtherance of the purposes of the Act and are important to the security of the United States.

IT IS, ACCORDINGLY, RECOMMENDED that you determine, pursuant to Section 451(a) of the Act, that it is important to the security of the United States that up to \$845,000 of funds available under Section 103(a) of Chapter I of the Act be used for the training of Afghan military personnel, without regard to the requirements of Sections 141 and 142(a) of the Act that no military assistance shall be furnished to a nation on a grant basis unless it shall have agreed to the undertakings specified by Section 142(a) of the Act, and without re-

gard to the requirements of Section 511(c) of the Act that arrangements shall be made for the return to the United States of equipment and materials furnished to a nation on a grant basis.

The Secretary of Defense, the Director of the International Cooperation Administration and the Director of the Bureau of the Budget concur in these recommendations.⁴

Christian A. Herter

⁴ President Eisenhower approved this recommendation in a November 13 memorandum to Herter. (Department of State, Central Files, 789.5–MSP/11–1358) The Department informed the Embassy of the President's decision in telegram 282 to Kabul, November 26. (*Ibid.*, 789.5–MSP/11–2658)

119. Letter From the Ambassador in Afghanistan (Mills) to the Deputy Assistant Secretary of State for Near Eastern and South Asian Affairs (Hart)¹

Kabul, November 24, 1958.

DEAR MR. SECRETARY: In reply to your letter of October 31,² may I extend my congratulations on your appointment as Deputy Assistant Secretary. Although our paths have seldom crossed, as a veteran of 20 years in the Foreign Service you have built up an enviable "service reputation" which is known to all. All success in your new and important responsibilities. I am sure that Bill Rountree will find your long experience in the Near East, and in the Department, of inestimable assistance.

I would characterize the United States position in Kabul at the present as one of just about holding its own. There is a good feeling towards the United States, I believe, on the part of the King, the Prime Minister (Daud), the Deputy Prime Minister (Ali Mohammed), and the Foreign Minister and Second Deputy Prime Minister (Naim). I think this good feeling is shared by most of the Cabinet and the Deputy Ministers as well as by large numbers of other important officials. Because of its experience from the First Afghan War in 1839 until the end of the Second World War, most Afghans, however, have an almost psychotic suspicion of all foreigners. They also have an only slightly less keen suspicion of all other Afghans. The long history of

¹ Source: Department of State, SOA Files: Lot 62 D 43, Afghanistan 1958. Confidential; Official–Informal.

² Not found.

treachery and perfidy has made such an indelible impression that the all-pervading attitude towards everything and everyone is suspicion. It even colors the most intimate of family relations, that between brother and brother, and the Pushtu word for cousin is the same as that for enemy.

This is the context in which we, and all other foreign missions, operate. I have no doubt that the suspicion of the Soviets is much keener than that of ourselves, for they are a powerful neighbor while we are far away. The Afghans are so conscious of Soviet power that they sometimes seem to casual observers to be in agreement with them. This is too simple an appraisal. The Afghans fear the Soviets, as they feared the Czarist Russians before them. Since government in Afghanistan always has been of an autocratic and perhaps totalitarian kind, on an immemorial Central Asian pattern, the Afghans are not particularly shocked by the totalitarian aspects of the U.S.S.R. Many who have lived abroad might like something different. *[1½ lines of source text not declassified]* With an elite which has had something resembling higher education numbering less than 3,000, it is not likely that anything even faintly resembling democracy as we know it will emerge for a long time to come. It might be that one of these times the Royal Government will have the courage to organize a sole political party, à la Attaturk. Even this would be an historic step.

The Afghans, of course, hope that the United States will provide them with a counter to play off against the U.S.S.R., just as the British Empire, for a hundred or more years, was a counter to Czarist and then Soviet Russia. They realize that the United States is too distant and is unwilling to play such a role in the security field. Therefore the Afghans play up in an exaggerated form the so-called historic friendship between their country and the U.S.S.R. But this is something like Nehru's harping on Panch Shila hoping that the Soviets and Communist Chinese, by publicity, can be held to such principles. Since the United States is not a determining factor in the security calculations of Afghanistan, although they might vainly wish it were, their hopes for continuing their independence can only rest on Soviet good will, for they cannot have much faith in what the U.N. could do.

In addition to meeting with considerable success in assisting the Afghans in maintaining what I am convinced their leaders wish, a real neutrality, we seemed to be meeting with fair success in another major political aim, that of relaxing the tensions between Afghanistan and Pakistan. I put this latter in the past tense because our effort was given a rude shock by recent events in Pakistan and particularly by the assumption of sole power by General Ayub. There is not much we here in Kabul can do unless and until General Ayub in some way shows that he has something of the comprehension of the political relationship with Afghanistan which was developed by General Mirza

while he was President. To date General Ayub has not taken any action or made any gesture which would give the Afghans hope that he might be prepared to approach the Pushtunistan issue with flexibility and understanding.

In the economic development field, the rulers of Afghanistan are convinced that they must do something to raise the economic level of the people before they are hopelessly outdistanced by all their neighbors, particularly by the U.S.S.R. and Pakistan. They have no hope of equaling the accomplishments of these two strong neighbors, but they realize that the masses cannot indefinitely be kept in ignorance of the glaring contrasts. They are willing to pay what price they have to to show some economic progress. They claim to be alive to, and on guard against, the possibility of Soviet infiltration and subversion. Our efforts to make them admit they are frightened have not succeeded. At the same time they welcome whatever we are willing to do and also have welcomed any assistance which other Free World countries, such as West Germany and Japan, are willing to give, and of course all help they can get from U.N. They have practically thrown themselves into our arms in the field of education and have pretty effectively excluded the Soviets. On the other hand they permit carefully selected Afghans, representing the press and other cultural activities, to make short visits to the U.S.S.R. and Communist China. Naim claims that such Afghans are so carefully chosen that their visits to the Communist countries do not present a danger.

Our record of achievement in the technical and economic assistance fields has not been very impressive to date, with the sole exception of the field of education. The red tape that must be gone through before ICA can give contracts is most discouraging, not only to the Afghans but to all those of us here. It is of course true that in a period of high employment for all having engineering skill, it is difficult to interest engineering firms in the United States in relatively small projects in distant Afghanistan. A recent case was the withdrawal, after selection, of an engineering firm to do the engineering on the Afghan part of the transit project. This means, I fear, two or three months more before a contract can be signed to cover the engineering. This, of course, is hard to explain to the Afghans. To date we have been unable to provide the Afghans with the advice they have not ceased to request on how they should improve their agriculture, the basic industry of the country. We have simply not been able to recruit agricultural experts with a comprehensive view, although little bits of good have been done by limited agricultural specialists. This is most discouraging.

It is hard to avoid the doleful conclusion that until recently, at least, Afghanistan has been at the end of the line when it comes to the assignment of people with skills by ICA. Just recently ICA has sent a

first class Executive Officer, an able chief to head up industry and transportation, and a Deputy Director. [2 lines of source text not declassified]

[Here follows discussion of personnel matters.]

Sincerely,

Sheldon T. Mills³

³ Printed from a copy that bears this typed signature.

120. Telegram From the Embassy in Afghanistan to the Department of State¹

Kabul, December 13, 1958—9 p.m.

491. Ayub's attitude towards Afghanistan revealed in Karachi telegram 1398 to Department² repeated Kabul 105 profoundly discouraging. If this represents his considered and unalterable point of view, rationale on which US policy toward Afghanistan has been based is undermined. Key part of rationale has been, as we see it, to promote good relations between RGA and GOP thereby keeping Afghanistan as neutral as possible in order that it can fulfill its historic role as buffer protecting Indian sub-continent and Iran's flank from Russians. Unless there is government in Karachi that takes what happens in Afghanistan seriously and seeks good relations, seems to us that inevitably Afghanistan will draw closer to the Soviet Union. Mirza found formula which kept Pushtunistan question more or less quiescent. Apparently that policy has been discarded. When country team drafted Embtel 465 December 7th³ (repeated Karachi 103) we felt

¹ Source: Department of State, Central Files, 689.90D/12-1358. Secret. Repeated to Karachi, New Delhi, Tehran, Ankara, London, Peshawar, and Lahore.

² In telegram 1398, December 10, Ambassador Langley reported on a conversation he had the previous day with Ayub Khan. The telegram reads in part as follows: "India is in trouble, Ayub concluded, and that is not displeasing to him. At same time, he indicated his personal inclination as President to let Afghans stew in their own juice too, despite possibility Afghans turning more towards Soviet companionship inherent in such lack of interest by Pakistan." (*Ibid.*, 790D.00/12-1058)

³ In telegram 465, the Embassy reported that Ambassador Mills and senior Embassy officers met with the Ambassadors and ranking officers of Iran, Pakistan, and Turkey on December 5 and 7 to discuss Daud's charge that the proposed bilateral military agreements between those countries and the United States were aggressive in intent. (*Ibid.*, 780.5/12-758) Three separate bilateral military cooperation agreements between the United States and Pakistan, Iran, and Turkey were signed at Ankara on March 5, 1959. For texts, see 10 UST 314, 10 UST 317, and 10 UST 320.

Afghan fears exaggerated and that GOP interested in lessening tensions with RGA and also in keeping Afghanistan out of Soviet clutches. Ayub's "stew in own juice" statement suggests an indifference to increasing Soviet influence in Afghanistan. Question arises as to how a government apparently indifferent to growth of Communist influence in Afghanistan and creation of Communist states in India can justify continued membership in Baghdad Pact.

In conversations with senior Afghans we have repeatedly given assurance that US arms have been provided Pakistan to help build bulwark against Communism and that such arms will not be used against their neighbors. Afghans appeared believe us until shortly after Ayub coup. Now our assurances do not appear to be convincing.

Mills

121. Memorandum From the Under Secretary of State for Economic Affairs (Dillon) to the Director of the International Cooperation Administration (Smith)¹

Washington, January 5, 1959.

SUBJECT

Government of Afghanistan's Request for United States Wheat to Offset Partial Crop Failure

As you are aware, the Government of Afghanistan, on November 6, 1958 requested that this Government furnish 50,000 tons of wheat under Title II of PL-480. This request was presented by Finance Minister Malikyar of the Government of Afghanistan to Ambassador Mills. On December 23 and December 29, 1958 Ambassador Maiwandwal of Afghanistan called at the Department to stress the urgency of the request and the need for speedy relief supplies if the possibility of serious social unrest was to be avoided early this spring.

At the request of the Departments of State and Agriculture and of the International Cooperation Administration (Deptel 272 of November 19, 1958),² our Embassy and Mission have carefully evaluated the Afghan wheat request and specifically in terms of the possible utilization of Title II of Public Law 480 as a means of providing the wheat

¹ Source: Department of State, Central Files, 411.8941/1-559. Confidential. Drafted by Dudley C. Bostwick and John O. Bell.

² Not printed. (*Ibid.*, 411.8941/11-658)

needed. The Embassy's analysis of the rather detailed statistics furnished by the Government of Afghanistan regarding its current and prospective wheat supply situation, which takes account of the fact that the statistics provided are subject to a wide margin of error, concludes that Afghanistan faces a bona fide relief need in the coming months because of the partial failure of the 1958 wheat crop.

Specifically, it is estimated that the shortfall in the 1958 crop will amount to 31 per cent, with the provinces of Herat, Kandahar, Mazar-i-Sharif, Maimana and Girishk especially hard hit. I believe that you are familiar with the threatened starvation in the northeastern province of Badakhshan due to the Government's decision to ban production of opium, the traditional cash crop and with which the farmers purchased their food requirements. The Government believes that there also will be an emergency situation in Kabul city area this spring unless relief is obtained.

Thus it appears that there is a need for wheat for relief purposes which can properly be met under the provisions of Title II. It is understood that the International Cooperation Administration is reluctant to approve a Title II program for Afghanistan in view of the intention that the wheat would be sold by the Afghan Government and the proceeds used for general economic development. Given that the transfer of the wheat itself will meet a bona fide relief need, the statute permits the transfer to take place on such terms and conditions as are deemed appropriate. As you know there were Title II transfers to Afghanistan in previous years on similar terms. Due to the conditions peculiar to Afghanistan, and in the light of the current situation in that country, we believe it is politically necessary to proceed with the program proposed despite the reservations expressed by members of your staff.

If for one reason or another the United States fails to supply the requested wheat, Afghanistan will reluctantly be forced to turn to the USSR for assistance. Under such circumstances the USSR undoubtedly would quickly fill the gap created by the United States' unwillingness to act. As was the case in 1956 and 1957 when Afghanistan faced a similar wheat shortage, the country has requested the United States in the first instance to supply the wheat, and we believe that there is strong political necessity that we do so. It is our belief that at the present time Afghanistan is under heavy pressure to align itself more closely with the USSR, and a gesture on our part—such as the speedy furnishing of the relatively small amount of wheat requested—might be of great significance to Afghanistan in enabling it to maintain its posture of neutrality at the present rather serious time in its affairs.

The Department has given full consideration to the possibility of negotiating an agreement with Afghanistan to permit it to obtain the needed wheat through purchase under Title I, but does not consider

this to be a practicable alternative to the use of Title II which it considers justified. As in the past, there seem to be numerous and perhaps unsurmountable difficulties in the utilization of Title I to offset the Afghan shortfall, including those regarding an acceptable exchange rate, the opposition of the Afghan Government to underwriting a dollar denominated loan, and in lieu of the loan the considerable length of time which would be required to obtain the Presidential waiver to obtain a grant under Section 104 of Public Law 480.

Because of the great political desirability of moving speedily in this matter, I hope that you will give it your early and sympathetic consideration.³

Douglas Dillon⁴

³ On January 12, the Department of State announced that, at the request of the Government of Afghanistan, the United States would send up to 50,000 tons of wheat to Afghanistan to avert a food grain shortage which was developing there due to recent crop losses. The wheat was to be provided under Title II of P.L. 480. For text of the Department's press release, see Department of State *Bulletin*, January 26, 1959, pp. 164–165.

⁴ Printed from a copy that bears this typed signature.

122. Telegram From the Embassy in Afghanistan to the Department of State¹

Kabul, January 7, 1959—2 p.m.

552. Accompanied by DCM Elwood I called on Prime Minister Daud morning of 6th at my request and spent two hours discussing with him US-Afghan relations and related subjects. I spoke (through interpreter) during first hour, reviewing most important US aid activities Afghanistan (air project, transit project, Kabul–Torkham paving project, Kabul University buildings project, Helmand Valley) explaining delays in implementation as best I could on grounds our time-consuming recruiting and contracting procedures are necessary feature our democratic system, and admitting authoritative [*authoritarian*] Soviet regime could get technicians on job more quickly than we. Regarding Helmand I referred to frictions between RGA and MK and hoped these could be settled quickly so remaining first phase work for which funds already allocated could be got under way. I mentioned

¹ Source: Department of State, Central Files, 611.89/1-759. Confidential. Repeated to Tehran, Karachi, Ankara, London, and Moscow.

report I had received that Daud believed US not interested in Afghanistan and he believed delays in implementing aid program were politically motivated. I denied this categorically and assured him US would meet all its aid commitments.

As RGA and Kabul press in recent weeks have shown little understanding of US defense policy I also explained in some detail evolution and basic purposes US defense arrangements with other countries, beginning with Rio Treaty through NATO, bilateral arrangements with Pacific powers, SEATO, and association with Baghdad Pact committees.

Daud most gracious to me personally, stating he knew I had done all I could to improve Afghan-Pakistan and Afghan-US relations. There are, however "certain points in US policy which create apprehension in countries like Afghanistan". He mentioned specifically "new military alliances" between US and Pakistan and Iran. I replied these were not new, that our defense arrangements with these countries had been in effect for several years, and that current negotiations with them are nothing more than review, which takes place annually, of their requirements under these arrangements.

Daud expressed gratitude for US economic aid. He felt quantity of such aid less important than fact US willing extend it. He thought I had explained well reasons for delays in implementation and did not wish comment thereon except to say time factor important as US projects are part of RGA's 5-year plan, and if projects not completed on schedule RGA would be criticized. He said untrue that he believed US not interested in Afghanistan. He, along with other members of RGA, believed US projects were proceeding rather slowly, but he did not connect this with question of lack of US interest Afghanistan.

Daud said Afghanistan wants sincere and close relations with all countries and particularly with US, and would continue its policy of neutrality as long as "no extraordinary factors oblige it to change its policy". I said my principal concern throughout my stay Kabul had been that RGA would become so mortgaged to USSR that it would find it impossible remain neutral, and I cited recent experience of Finland where Soviet economic pressure has unseated neutral but non-Communist government with prospect Communists will have to be included in new government to placate Moscow. Daud replied RGA had taken such dangers into consideration. RGA would prefer not to move to either side except when it has no other alternative—when its market cut off, it sees no other way to develop economically, or when menaced. Unilateral treatment of Pakistan and Iran (by which I am sure he meant arming those countries without at same time strengthening Afghanistan), not only recently but over period of last several years had pushed RGA towards Soviets. He had not had opportunity discuss this with Secretary during Washington visit but had made his

views on this subject very clear to Armin Meyer² (then Deputy Director SOA). I said Washington officials had been prepared at that time discuss US aid to Afghan gendarmérie, which would have offset to some extent our military aid to Afghanistan's neighbors, but that Prime Minister had not raised subject. I stated further that US had considered offer of help in basic military and civil aviation training but had regarded Afghan acceptance unlikely as already receiving jet training from Soviets. Daud said he had not raised question of aid to gendarmérie as he had not been interested in this. He seemed mildly interested in idea of basic aviation training school, and said if aid in either sphere should become feasible RGA would approach US Government, which I took to be purely pro forma answer. He expressed thanks for US training Afghan military officers in US and said RGA would approach us for further such training in future when this deemed desirable. My remarks intended counter Daud's assertion GOP and Iran receiving unilaterally favorable treatment in military sphere.

During discussion military training Daud stated emphatically that although Russians are training Afghan army, there are no Russians in Afghan army and never would be any.

At one point in discussion Daud said RGA well aware of military developments in Pakistan and Iran, and that both countries strengthening their armed forces and creating air bases along Afghanistan's borders. I replied I was sure Pakistan, which RGA appeared fear most, offered no military threat to Afghanistan as its main preoccupation was India. On other hand, Iranians professed much concern over military buildup at Herat, creating of ports on Oxus and of facilities for storing wheat and oil, all of which Iranians feared might be used by Soviets to launch attack on Iran. Daud in effect said these fears were nonsense.

Also called on Education Minister Popol and First Deputy Prime Minister Ali Mohammed same morning. After brief discussion US education projects Popol turned conversation to political matters, and I covered much same ground on US defense arrangements as with Daud. Nothing important developed from conversation with Ali Mohammed.

Comment: Although conversation with Daud was unusually frank he remained agreeable throughout and showed no trace of rancor towards US. I could discern none of tenseness which might be expected if RGA about to make major shift in foreign policy. Am inclined believe he sincere in stating RGA would continue maintain neutral policy unless forced do otherwise, but believe it quite possible he

² Regarding Daud's visit to Washington in June 1958, see Documents 106–112. Meyer accompanied Daud on his tour of the United States.

would not regard acceptance additional military or economic aid from Soviets, which may have been purpose Naim's visits to Moscow,³ as constituting a deviation from that policy; certainly he does not consider acceptance US aid, e.g., transit project, as compromising neutrality.

Mills

³ Foreign Minister Naim visited Moscow on December 29 to discuss the possibility of additional Soviet aid to Afghanistan. Documentation on his visit is in Department of State, Central File 033.8961.

123. Telegram From the Department of State to the Embassy in Pakistan¹

Washington, January 9, 1959—3:55 p.m.

1589. Reference Karachi's 1581² [5½ lines of source text not declassified]. Baig consistently took hard line re Afghanistan and only grudgingly accepted Mirza and Suhrawardy³ decisions cooperate with US policies seeking Pak-Afghan rapprochement and reducing RGA dependence upon USSR. Khattak has vacillated but [less than 1 line of source text not declassified] he must be adjudged as unfavorably disposed toward US policy. Moreover Department notes both Iran and Turkey, but particularly former, recently expressed concern over Soviet influence Afghanistan which suggests that Ayub's remarks may reflect Pak-Iran and possibly Turk intention pose Afghanistan problem as threat to area at upcoming Baghdad Pact meetings. This impression strengthened by fact that as far back as January 1958 under GOP urging Baghdad Pact staff study on danger Afghan aggression was prepared.

Department seriously concerned at Ayub's apparent attitude toward present Government of Afghanistan. It appears reflect unwarranted anxiety that RGA's present policies pose serious threat to Pakistan. Department's own belief is it in interest of free world, including Pakistan, to support Zahir, Daud and Naim at present juncture. In this respect, of course, our assessment of situation and conclusions which

¹ Source: Department of State, Central Files, 689.90D/1-659. Secret; Limit Distribution. Drafted by Soulen, Bartlett, and Hart and approved by Rountree. Repeated to Kabul.

² Dated January 6. (*Ibid.*, 689.90D/1-659)

³ Huseyn Shaheed Suhrawardy, former Prime Minister of Pakistan.

we draw from this assessment appear to be diametrically opposed to those of Ayub and Baig. As friend of Pakistan it would therefore appear necessary for us make quite clear to Ayub our position vis-à-vis Afghanistan. Therefore, unless you perceive serious objection you are requested approach Ayub soonest and inform him orally as follows:

USG appreciates confidence which Ayub has placed in it by informing it through its Ambassador of his thinking in connection with Afghanistan and it desires continue such exchanges in spirit of equal frankness. USG wishes to impart to President Ayub its own considered assessment of Afghan situation and conclusions which it has carefully drawn therefrom. In general, as GOP aware, we do not believe present Government of Afghanistan poses any aggressive threat to its neighbors in spite of military and economic assistance it has unfortunately accepted from Soviet Union to date. On contrary another Government than present [one] might alter our assessment. It has therefore been, as indicated by our aid to Afghanistan, and continues to be policy of USG to support present RGA in order help that country maintain its position of neutrality vis-à-vis USSR, since such posture by Afghanistan is best that can be envisioned by US at present juncture. USG therefore believes security of free world and particularly of members of Baghdad Pact would similarly be augmented by supporting present RGA. If this conclusion valid any gesture which GOP might be able make to reassure RGA of its sympathy and friendship would appear to be helpful. We have already suggested and we understand GOP considering possibility of clemency in connection with arrested Pushtu leaders. We can do no more than this since this issue is entirely domestic one for GOP alone to decide. However possibly there might be some alternate or additional way in which GOP, as stronger party, could make gesture which would reassure RGA of its desire maintain as friendly relations as possible under present circumstances. USG certain GOP objective is, like ours, to reduce tensions between two countries.

In addition you might wish work into discussion following points:

1) Remind Ayub of Soviet-Afghan Treaty of Neutrality and Non-aggression 24 June 1931 (published League of Nations Treaty Series Volume 157, 1935) renewed in 1956 for ten years, particularly Article 2 under which USSR undertakes "not to tolerate on part of anybody whatsoever any act which might inflict political or military damage" on Afghanistan.

2) USG sees no validity in Afghan contentions re "Pushtunistan". We recognize Durand Line as Pakistan's border with Afghanistan. Nevertheless "Pushtunistan" as a problem must be recognized and dealt with. We are gratified to learn that Foreign Minister Qadir has addressed himself to this problem in constructive manner (Embtel 1475).⁴

⁴ Telegram 1475, December 20, reported on a conversation the previous day between Langley and Qadir. (Department of State, Central Files, 689.90D/12-2158)

FYI. Suggest foregoing not be implemented until GOP informed re FY 59 military program in accordance instructions contained separate message.⁵

Dulles

⁵ Reference is to telegram 1588 to Karachi, January 9. (*Ibid.*, 790D.5-MSP/1-759)

On January 10, Langley spoke to Ayub along the lines suggested in telegram 1589. "Ayub appeared to be agreeable to policy of supporting present Afghanistan Royal Family," the Ambassador reported, "but insisted it was only a matter of time, maybe 5, maybe 10 years, before Russians, biding their time, took over country." (Telegram 1621 from Karachi, January 11; *ibid.*, 790D.5-MSP/1-1159)

124. Telegram From the Department of State to the Embassy in Afghanistan¹

Washington, January 22, 1959—7:34 p.m.

402. Ambassador from Rountree. As you near completion your tour duty, I wish express our deep appreciation for the diligence and effectiveness with which you have carried out your responsibilities. I have every confidence that your new appointment² will afford you similarly challenging opportunities for achievement of our goals.

As you proceed through your various farewell calls, especially those on Royal Family, Dept would appreciate your making following points (unless you perceive objection) in manner you deem most appropriate.

1. Assure RGA of abiding US interest in assisting Afghanistan in its national development efforts and the maintenance of its independence.

2. Express USG confidence that governments of Afghanistan and Pakistan will continue to adopt constructive measures for settlement of outstanding disputes. Our interest in and expectation for an eventual Afghanistan-Pakistan rapprochement undiminished.

3. Assure RGA that US arms aid to Pakistan not designed in any way to be threat Afghanistan. Emphasize this aid furnished subject to solemn GOP promise it will be used only for defensive purposes and US has absolutely no reason question validity that promise.³

¹ Source: Department of State, Central Files, 611.89/1-2259. Secret; Priority; Limit Distribution. Drafted by Soulen and approved by Rountree.

² On February 16, Mills was appointed Ambassador to Jordan.

³ Telegram 663 from Kabul, February 4, summarized Ambassador Mills' farewell conversation with Foreign Minister Naim. "At very conclusion conversation," the telegram noted in part, "Naim said he especially appreciative assurances given by Ambassa-

Continued

4. USG recalls with great pleasure and gratitude visit of Prime Minister Daud. We greatly impressed by his statesmanship, his devotion to cause of world peace with justice, his resolute determination to maintain Afghanistan's independence, his aspirations and plans for the economic, social and political development of his country and his forthright and frank presentations of Afghanistan's problems and policies.

5. Dept has found Ambassador Maiwandwal to be capable and effective representative of his country. We respect his persuasiveness and shrewdness. We believe his public and private endeavors to promote better understanding in US of Afghanistan's foreign and domestic policies and problems have been successful.

Dulles

dor at beginning of conversation that US arms aid Pakistan not designed be threat to Afghanistan, and that US had no reason question GOP promise these would be used for defensive purposes only." (Department of State, Central Files, 689.90D/2-459)

125. Telegram From the Department of State to the Embassy in Afghanistan¹

Washington, March 20, 1959—1:02 p.m.

524. Embtel 786.² Department has under study recommendation made by Embassy Karachi that in view conflicting interpretation in India and Pakistan of US-Pak bilateral, and of previous statements relating to both countries, statement be issued outlining US historic policy opposing aggression. If decision made to issue such statement, it could be used in Kabul as well as Karachi and New Delhi. Until this decision made, however, Department prefers Ambassador not raise question US attitude in case aggression committed against Afghanistan. This particularly important in view history known to Embassy of RGA past efforts obtain from US guarantee frontiers of Afghanistan.

If bilaterals or US attitude in case aggression against Afghanistan should be raised by RGA, you may comment orally as follows: Re bilaterals, text of which together with Department's statement have already been handed to RGA and attest to their open nature, they reflect previously communicated policies of US and are intended solely to strengthen signatory states' economic development and de-

¹ Source: Department of State, Central Files, 611.89/3-1959. Confidential; Niact. Drafted by Leon B. Poullada and Herman F. Eilts and approved by Rountree. Repeated to Karachi and New Delhi.

² Dated March 19. (*Ibid.*, 611.89/3-1959)

fense postures and thereby contribute to overall ME stability. They are not directed against Afghanistan. In this connection RGA well aware deep and sustained US belief that Pak-Afghan rapprochement is in their mutual interest and bilaterals in no way alter our determination as sincere friend of both states to continue to work for this end. Re US attitude in case of aggression against Afghanistan, we hope RGA will agree that US has amply demonstrated its readiness pursuant obligations UN Charter, to which we know Afghanistan no less than US adheres, consider how best assist any victim of aggression.

Herter

126. Airgram From the Embassy in Afghanistan to the Department of State¹

G-36

Kabul, April 14, 1959.

For what they may be worth, this message transmits some of my thoughts after being at this post for thirty days. It will at least give Department some idea of coming Embassy activity and what may be expected later on in more specific form.²

In competition with the Soviets here we are faced with many inherent disadvantages. Nevertheless I am not as discouraged at the prospects as when I left the Department. We still retain several basic assets. First of all do not believe that the fundamental desire to retain their full independence and traditional neutrality has been eroded due to increased relations of last few years with Russia. On the contrary, one gets impression that many high level personalities here are more apprehensive over danger of excessive dependence on Russia than was the case say a year ago. Most of the staff here support this view but a few are undecided. I myself would not venture as yet as to whether this is true as far as Daud himself is concerned.

My personal feelings may be influenced a bit by my reception in about fifteen calls on high officials. Although have become accustomed to Oriental courtesy and kindness, could not help being impressed by my reception, which in many cases practically amounted to a plea to help them help themselves on the question of retaining an East-West balance. One would expect this as well, but there must be

¹ Source: Department of State, Central Files, 689.00/4-1459. Secret.

² Henry A. Byroade was appointed Ambassador to Afghanistan on January 29; he presented his credentials to the Afghan Government on March 21.

some real concern on their part over having become too dependent upon the Soviets for them to have over-extended themselves as they have at my reception.

Certainly the immediate danger as yet is not of ideological infiltration of communism. (The single most encouraging thing is continued Afghan firmness to keep Soviets out of education field—and their continued pleas to us for more help in this field.) The danger lies in becoming economically and militarily dependent upon Russia as a State. When I left Washington I was more concerned over Afghan dependence on USSR in military field but feel now that economic dependence contains the greater danger. In this connection a more complete analysis here of trends and practices of the Soviets in the trade field is necessary and have already [been] informed Department will give this priority.

The question that confronts us is what more within practical limits can we do in this situation. Certainly our past policy of assisting where we can in the relations between Afghanistan and her non-Soviet bloc neighbors is correct and of utmost importance. I cannot as yet recommend any additional specific thing that we might do but we must at very least certainly see that Afghanistan is not again for a period blockaded off from access to the West. Certainly every feasible thing that can be done by Pakistan to facilitate the flow of goods and people to and from the West must be worked for. Important as this is, however, one gets the feeling that the political and psychological stumbling blocks in Afghan-Pak relations are at least equally important. The Pushtoonistan issue is indeed an illusive thing as after many conversations here feel as yet unable to accurately define the problem. One wonders at times if there really is a problem in spite of the emotional and apparently intense feelings of people here on this subject. We are gratified here to know that Embassy Karachi is continuing to be helpful on all aspects of Afghan-Pak relationships and can only say at this time that we continue to study problem.

As regards other nations in the area, feel we should make a high level attempt to obtain greater effectiveness here on part of the Turks. There has long been a feeling in Ankara of sympathy and understanding as regards Afghanistan, yet the Turks are not represented well here and at the moment have no Ambassador at all. They perhaps can be more effective than we on the subject of Afghanistan's relations with its Moslem neighbors and on certain aspects of East-West situation. For instance, I believe it is too late for us to consider direct competition with Russians in the military field, even if Afghanistan would accept it, which seems unlikely. More military equipment, except perhaps for gendarmérie, would be merely a liability to this country. We should, however, do everything possible to offset Soviet influence within the

military. We should, as well, attempt to broaden our knowledge as to what is going on within the military itself as our intelligence capability there is extremely limited.

In this connection I understand that the Turks were approached here some time ago for assistance in setting up and running a general staff college. Can think of nothing better than to have Turks send a competent faculty here for such a school. Facilities are lacking as well and perhaps we should build the buildings at our expense if the Turks could adequately staff it. Whether or not we should tell the Afghans that we are backing the Turks in such a project is a question but am inclined to think we should not. Certain specific suggestions to increase Turk effectiveness here were submitted by the Embassy some time ago (Embassy despatch 306, February 2, 1959)² and Embassy Ankara seems favorable to general idea (Ankara's despatch 592, March 25, 1959).³ Would hope Department would feel enough material now on hand for an initial high level approach both in Washington and Ankara for greater Turkish effort here and that the military staff college idea might be used as first specific project. Should the need arise, would be glad to send officer from here to Ankara to discuss details.

It seems significant that King (Embtel 797),⁴ Daud (Embtel 835)⁵ and Naim (Embdesp 380)⁶ stressed need for help in achieving social and cultural, as well as economic, reform, Daud adding need also for political reform. It will be recalled Daud and Naim expressed great interest this field to Ambassador Mills last Fall (Embdesp 151, Sept 16, 1958),⁷ though other political developments prevented follow-up at time. It not entirely clear what Afghans have in mind. Community development program could be projected to these ends. It may also be that Afghans have in mind proposals made by Dr. Donald Wilbur to Daud in September 1957 on the possibility of formulating a political philosophy that would facilitate democratization and economic progress, yet have roots in the native Pushtun culture. They may also have in mind the model of the Turkish experiment, which was discussed in Mills conversation mentioned above. Under any circumstances feel it would be unwise for us to ignore these rather pointed overtures; the Communist claims of success have been persuasive to the Afghan intellectual, and it is almost inevitable that unless some alternative political philosophy is presented the internal political orientation of

² Not printed. (*Ibid.*, 682.89/2-259)

³ Not printed. (*Ibid.*, 682.89/3-2559)

⁴ Dated March 22. (*Ibid.*, 611.89/3-2259)

⁵ Dated April 5. (*Ibid.*, 689.90D/4-559)

⁶ Dated March 30. (*Ibid.*, 611.89/3-3059)

⁷ Not printed. (*Ibid.*, 789.00/9-1658)

Afghanistan will be leftist in one degree or another. I propose to explore further, as appropriate opportunity arises, ways and means whereby we might render effective assistance in this field.

Our primary instrument here has been ICA and a study of their work has taken greatest part of my time. As Washington well aware, there have been inexcusable delays in some of our projects for a variety of procedural reasons in which there is no desire on my part to attempt to fix responsibility and blame. Fortunately stage has now been reached however whereby more physical activity will be apparent to the Afghans. While basic motivation on our part may have been political, fortunately projects are either economically sound or at least approach that state, and will in the end, if properly managed, have important effects upon this country. Unfortunately, however, from viewpoint of quick impact here vis-à-vis the Russians, they are somewhat isolated and long drawn out. We have attempted very little of a quick impact nature on projects designed to make the common man feel that something is being done for him. This seems to be the crying need in this country, both from a humanitarian point of view, and to offset in eyes of the ordinary person the benefits that they hear of reaching others through progress being made in surrounding countries—and particularly north of the Oxus. Also would like if at all possible see the US broaden appreciation for its efforts here to more people, and thereby offset the basis for any charge that we are interested primarily in projects to support desires of Royal Family.

In one form or another US Government investment in this country amounts to nearly \$125 million. This is a relatively high figure and I have no desire, at least for time being, to recommend committing us to further long and very costly projects. However, I find complete unanimity among staff here (as well as other Americans associated with UN, Asia Foundation, etc), that we should be able to double our impact upon the country as a whole over a period of the next few years by proceeding with various impact projects which would probably not total more than five to ten million dollars. If continued study supports this thesis, then it would seem to be a sensible investment. I am normally against a proliferation of projects, and feel that a few big projects are better in the long run than a scattering of effort. This is an unusual situation, however, and if we can double our effect here by new things with a bit of flair, then it seems we should do so. The new Minister of Agriculture⁸ stated we were putting too many eggs in one basket in the Helmand Valley and that there was a feeling that too many of our subsequent projects had been designed simply to make that successful. He even requested that my first trip in the country be

⁸ Ghulam Haider Adalat.

to the northern area, where even the most simple things have not been done for the people, rather than to the Helmand Valley and thus belie the impression that that was all we were interested in.

I am certainly not ready as yet to recommend specific projects and when we do they will be submitted in appropriate detail. Have in mind, however, such things as closed circuit television for education purposes, the re-initiation of a rural development program which I feel certain we should have been into long ago, perhaps taking over at RGA request Russian paving job here in city which under criticism as being faulty, minor but effective public health improvements, etc. etc.

Do not, however, wish to take this approach unless we can have support to do quickly what we set out to do and that we be given the utmost authority allowed by law here in the field to select and implement the projects. I would rather assume full responsibility for mistakes which we may well make than to follow our past approach of arousing Afghan enthusiasms and cooperation on new ventures on which no progress may be seen for some years. In the important field of education, for instance, after commitment of our assistance some two years ago, to assist in construction Kabul University, as of now we are still waiting for engineering blueprints.

If Department strongly opposed to any ideas contained herein, would of course like to be notified. Otherwise we shall proceed along this fashion, hoping that later detailed recommendations will be sympathetically considered. In making these decisions it seems important to remember that we are hopeful that this may be a period of some fluidity here. We do not know whole story as yet of Daud's absence but we do feel that area developments (particularly Nasser and Iraq, Tibet, and recent trends in India) are having a psychological effect here and that this may be propitious time to try to increase our effectiveness.

Byroade

127. Telegram From the Embassy in Afghanistan to the Department of State¹

Kabul, May 4, 1959—3 p.m.

908. Re Embtel 896² and 903³ repeated information Karachi 235 and 237. Saw Naim yesterday. Told him I had come on one matter alone in view its importance. In my short time here had come to feel subject of Afghan-Pakistan relations of paramount importance. He and I had years ago worked on problem but it seemed to me of far more importance today. On subject of Pushtunistan issue felt he knew our general position. We have never taken partisan approach to matter and have not attempted inject ourselves into details of situation or commit ourselves to any particular solution. What we were interested in was that parties concerned arrived at mutually acceptable solution. This remained our position and our hope remained that we could be of assistance under such terms of reference.

Told Naim Khattak and I had had recent discussions this subject and Khattak had told me he was encouraged by his recent talk with His Royal Highness. I asked for Naim's current appraisal of situation and opinion as to whether I could be of assistance.

Naim went back through history of dispute with story so familiar that will not list details. He concluded with his recent discussion with Khattak, saying RGA would consider problem solved if Pakistan

¹ Source: Department of State, Central Files, 789.00/5-459. Secret; Priority. Repeated to Karachi, Peshawar, and Lahore.

² In telegram 896, April 28, Byroade reported that Khattak had recently informed Elwood that he wanted to make one last effort to solve the Pushtunistan problem and wanted to know if U.S. support would be forthcoming. Khattak's plan, the Ambassador explained, was that all Afghan and Pakistani propaganda would be stopped and a meeting would be arranged between various Pushtun leaders, the final outcome of which would be a statement recognizing that a Pushtunistan problem no longer existed. Afghanistan, according to Byroade, "was to use this statement as face-saving justification for ceasing its Pushtoonistan campaign." Khattak believed that U.S. help would be needed with Ayub Khan and inquired whether Byroade would be willing to go to Karachi if something specific would be developed in regard to his plan. "While have been somewhat suspicious of Khattak," Byroade commented, "believe he does wish make serious effort on this problem before leaving and that he should be encouraged take advantage of his long experience here. If Khattak efforts successful and if RGA drops Pushtoonistan agitation this would be major achievement. If his effort unsuccessful nothing will have been lost." (*Ibid.*, 789.00/4-2859)

³ In telegram 903, April 30, Byroade reported that Khattak had given him an account of the lengthy meeting which he had with Naim on April 28. Naim had been surprisingly positive, according to Khattak, indicating that he and Daud would be firm in backing Khattak's plan. Byroade also reported that he was scheduled to meet with Naim on May 2, and suggested that "if Naim is as positive with me as Khattak reports, it seems to me we must study most effective way USG can attempt to push what admittedly still seems a bit of a myth into reality." (*Ibid.*, 789.00/4-3059)

would merely follow sample proposed by Khattak. He said this had been their position while Mirza was in power and they would stick to it. There had been no recent Cabinet discussions but he was positive this represented views of Daud and majority in their government. Meeting of Pushtun leaders proposed by Khattak must however be composed of responsible leaders.

He said Khattak had proposed that I be brought into matter and that he had not only agreed but welcomed the idea as he thought our good offices probably essential if final agreement to be reached. Naim emphasized again that RGA as a whole would stand by his assurances to Khattak and myself and concluded that better relations between two countries were now badly needed.

As Naim had mentioned selection of responsible Pushtun leaders, I asked if he thought disagreement over persons selected might cause difficulty. He replied he thought not. I asked if he had given any thought to action that might be taken by RGA if Pakistan proceeded in suggested fashion and statement from Pushtun leaders was made. Would he visualize statement by his government of perhaps high level meeting. He said "why not." It was his position that if such statement could be obtained, Pushtunistan problem would be settled and they would have no reluctance in so stating. For first time however he mentioned Daud's absence so did not press further on this aspect.

I asked if looking toward future it would not be best both governments to attempt extend their administration more effectively over tribal area and provide such development as would be practicable so as to give them feeling of progress and alternate means of livelihood. He said this by all means the case. Above all, however, he felt it important in future that Pakistan take steps to stop creating disturbances by having relations across border with tribes. He went through the history of British and later Pakistan manipulations in this regard and said this must be stopped. We talked briefly of what increase economic and political cooperation could mean in practical terms and he stated that if political problem could be solved he would hope that groups from both countries could plan practical measures to make cooperation beneficial to both.

I suggested to him that if we are to go ahead with this venture most favorable possible atmosphere should be created, and this called for cessation of anti-Pakistan propaganda. Naim replied that this actually had been cut down materially recently.

This all seems very encouraging and it would seem that Ayub would have little to lose by giving Khattak go ahead arrange meeting of Pushtun leaders. Also I think we should do everything we can to help Khattak sell his project to Ayub, even to point of appealing letter from President Eisenhower to him should this be necessary. We should also consider now how we can best help exploit favorable

situation which would present itself if Pushtunistan settlement reached. Do not believe full potentialities can be realized unless Ayub can be persuaded to submerge disdain and contempt which he evidently feels for Kabul regime and to accept feeling of responsibility for improving Afghan-Pakistan relations. In this connection have been wondering whether Ayub's nature is not such that, at some juncture, a letter from the President, appealing to him as friend, ally and responsible statesman, and stronger party in dispute, may be in order (should this suggestion meet with favor we would be glad provide preliminary draft at appropriate time).

Saw Khattak over weekend and told him of my conversation with Naim. He is leaving Kabul 6th but at my suggestion will not arrive Karachi to see Ayub until 13th. He will contact Langley upon arrival. ⁴

Byroade

⁴ In telegram 2497 from Karachi, May 6, Ambassador Langley stated that the reports from Kabul regarding the Khattak plan were "most encouraging" and noted that if Afghanistan was as sincere as Naim indicated then he believed that Pakistan could be induced to go along with the proposal. (*Ibid.*, 689.90D/5-659)

128. Telegram From the Department of State to the Embassy in Pakistan¹

Washington, May 6, 1959—7:47 p.m.

2649. Kabul's 896, 903, 908.² Recognizing USG policy encourage rapprochement between Pakistan and Afghanistan and need for joint Afghan-Pak approach implementation any realistic plan improve security and economic situation tribal areas suggest at your discretion you:

1. Inform Ayub and Qadir prior scheduled Khattak appointment thirteenth gist of Byroade conversation with Naim (Kabul's 908) re proposal settlement Pushtunistan dispute.

2. Emphasize informally Department favors proposal in principle and express hope that GOP will consider it practicable and desirable to explore it fully.

¹ Source: Department of State, Central Files, 689.90D/5-659. Secret; Priority. Drafted by Bolen and approved by Hart. Repeated to Kabul.

² Telegram 908 is printed *supra*. Regarding telegrams 896 and 903, see footnotes 2 and 3 thereto.

3. Reiterate our conviction that settlement Pushtun issue essential full Afghan-Pak rapprochement which offers best free-world hope reducing Afghanistan's dependence on Soviet bloc.

[4.] Elicit and report to Department GOP's preliminary reaction to Khattak's proposal.

Begin FYI. In view (1) long record Pak-Afghan recriminations and misunderstandings revolving around Pushtunistan issue, (2) surprising alacrity with which RGA apparently reacted favorably to Khattak's latest proposal, and (3) unknown attitude of absent Afghan PriMin, Department has misgivings re motives and objectives each side may harbor which not presently apparent. Nevertheless, for present at least, Department believes we should treat proposal for Pushtunistan settlement at face value and consider lending support its achievement. End FYI.

To permit realistic assessment this development it essential that Department be provided all possible additional information and interpretation on specific plan of action proposed by Khattak. While Department considers consultation with Khattak prior his reporting to own government inappropriate and desires it be avoided if possible, suggest Ambassador discreetly elicit from Khattak at appropriate time details on such essential points as method and criteria contemplated for selection tribal leaders, whether leaders would represent tribal areas both sides Durand Line or only Pak side (i.e., so-called "Occupied Pushtunistan"), and whether their terms of reference intended to be limited to statement to be used by RGA as face-saving justification for ceasing Pushtunistan campaign. Also, whether these points already accepted both countries or subject later negotiation.

While Department recognizes desirability take calculated risks in any reasonable effort achieve Pak-Afghan rapprochement, extent to which USG would be willing engage its prestige in full backing Khattak plan depends on clear and specific understanding what it entails and estimates by Embassies Kabul and Karachi of its chances of success.³

Herter

³ In telegram 2527 from Karachi, May 11, Ambassador Langley reported that he met with Foreign Minister Qadir and Interior Minister Shaikh that day to discuss Khattak's plan and explain the Department's position, as outlined in telegram 2649. "Foreign Minister concluded proposal still interested him and it must be explored," the telegram reads in part. "He said that if Khattak could follow through further on matter he would return to Kabul temporarily. All agreed attitude of Daud on proposal must first be known, however." (*Ibid.*, 689.90D/5-1159)

The Embassy in Kabul offered its assessment of the Khattak plan in telegram 926, May 8. It reads in part as follows: "Although we realize RGA capable of double play on this subject above all, Embassy inclined accept its position at face value and to entertain cautious optimism, as we unable to conceive of any motives or objectives which either Pakistanis or Afghans might harbor, however ulterior, which might result in damage to our interests." (*Ibid.*, 689.90D/5-859)

129. Telegram From the Embassy in Afghanistan to the Department of State¹

Kabul, June 12, 1959—9 a.m.

1038. Reference Karachi's 2516,² repeated Kabul 243. Am concerned that question of personalities and personal prejudices may kill off a project that seems sound in itself and of great importance to us at this particular time.

Am afraid we face losing battle here with Soviets unless Pushtunistan problem can be solved. While we are in process of attempting thorough reassessment of situation here, believe following, while obviously incomplete, is accurate summary of situation here as far as this problem is concerned. This country, realizing its weakness and feeling need of outside support has turned to Russia for such support, not only to gain assistance for development but also out of sense of frustration and isolation. We have lent our economic support, but we are far away and in power sense have not taken up type of role British used to play. Sense of isolation heightened by fact Afghanistan's neighbors have managed ally themselves with others. All in all, attitude here is one of fear and frustration, producing fatalistic complex leading to acceptance risks turning to Russia. Although this attitude may seem unreal from outside Afghanistan, it is factor to be reckoned with here. Regardless of who has been to blame in past it seems almost imperative that real effort be made to improve Afghan-Pakistani relations to take away some of this sense of frustration and isolation.

Qadir's remark re Khattak's "scheming" seems confirm other reports we had received that Khattak not trusted by GOP leaders. In view this distrust, Khattak was probably poor instrument for seeking gain acceptance his plan for settlement Pushtunistan issue. In circumstances, believe it would be useful for me visit Karachi for consultation on Pushtunistan issue and prospects for settlement. I continue believe RGA would not take lightly its commitment to me to accept statement by Pakistan Pushtunistan leaders as basis for considering issue settled, and that if adroitly handled preparation and publication such statement need not commit prestige of GOP nor constitute official recognition by GOP of existence of a Pushtunistan problem. In other words, it

¹ Source: Department of State, Central Files, 689.90D/6-1259. Secret; Priority. Repeated to Karachi.

² Reference should be to telegram 2716 from Karachi, June 8, in which Ambassador Langley reported on a conversation which he had that day with Foreign Minister Qadir. Qadir criticized the Khattak plan and referred to Khattak's "scheming." "Qadir knew of no better way to improve relations with Afghanistan," Langley commented, "than for US to compete with USSR for Afghan affections, and win." (*Ibid.*, 689.90D/6-859)

appears from here that GOP has nothing to lose from making the effort, and even should RGA be proved to have been acting in bad faith this in a sense would be a gain, since both Pakistan and US would henceforth have sounder basis for making policy decisions on this issue.

Request Department's and Langley's comments. In view coming Moslem holidays would appear best I visit Karachi sometime during week of June 22 if idea accepted.³

Byroade

³ In telegram 2756 from Karachi, June 15, Ambassador Langley informed the Department that he believed "there might be benefit in Byroade visiting Karachi, especially if joint meeting with Ayub and Qadir is arranged, and think it can be." He suggested that, if the Department concurred, he would try to arrange a joint meeting and would notify the Embassy in Kabul of the date. (*Ibid.*, 689.90D/6-1559)

130. Telegram From the Embassy in Afghanistan to the Department of State¹

Kabul, June 16, 1959—10 a.m.

1047. In struggle which we are waging to keep Afghanistan independent and neutral events of past few weeks have brought us little to cheer about. Three events in particular have been disappointing to us. Firstly, there was return of Daud to take up duties of Prime Ministry following medical treatment in Switzerland. When he departed in early April there were frequent rumors, some of which could not be discounted entirely, that Daud was in disfavor for leading the country into dangerously close relations with the USSR and for his tribal policies, and that he would be replaced by someone more favorable to West. His return to office has largely discredited range rumors. Secondly, failure of Pak Ambassador Jaattaktr [*Khattak?*] to persuade his government accept his project for settling Pushtunistan issue together with Prime Minister Daud's strong public statement on this subject of May 27 has, at least for moment, dashed hopes which had been raised that Afghan-Pak relations might be on verge of improving substan-

¹ Source: Department of State, Central Files, 689.00/6-1659. Repeated to Karachi, Tehran, Ankara, London, Moscow, Lahore, and Peshawar.

tially.² Thirdly, and perhaps most important, has been agreement by Soviets to build paved highway from Soviet border through Herat to Kandahar and information given me by Prince Naim few days ago that negotiations are continuing in Moscow for further Soviet assistance in form of additional military equipment and construction of an airfield.³ We have been further disturbed by large number high-level Afghan visits to Moscow since beginning of year (including visits by Naim, Daud, and Commerce Minister Sherzad as well as negotiating team which included Deputy Chiefs of Staff), by fact RGA and government controlled press followed straight Communist line on Tibet, by unusually favorable press treatment received by Communist countries in recent weeks, by fact RGA either by choice or poor management has got itself in position where only Communist countries appear likely participate in 1959 Jeshyn,⁴ and by [fact] RGA Commerce Minister Sherzad has been voicing opinion what US is doing lately [is] dragging feet on implementation its aid projects. All foregoing developments however reported in greater detail elsewhere.⁵

My staff and I have given good deal of thought to significance these developments. With respect to new road project, I believe it undoubtedly true, as Naim recently told me, that Afghans themselves would eventually have built the road, and while strategic significance of road should not be discounted, its main significance lies in (1) fact Soviets have shown themselves so interested in currying favor with Afghanistan that they have been willing set precedent of extending grant aid for its construction, (2) access to southern Afghanistan which Soviet technicians will have for first time in large numbers, and (3) public relations effect which this Soviet move will have in Afghanistan.

With respect to Pushtunistan issue we continue feel that settlement or at least relaxation of tensions may be possible. Afghan motivations in continuing to keep this issue alive are undoubtedly extremely complex and are compounded out of desire on part of Royal

² In an interview on May 27, Daud reacted to a recent statement by Ayub Khan that the Pushtunistan issue was "artificial and baseless." Daud said that Ayub's statement had been received with "surprise and regret" in Afghanistan. He claimed that the formal announcements of previous Pakistani authorities had admitted the existence of the Pushtunistan problem as the solitary political difference between the two countries and asserted that Ayub's statement was meant to be a retreat from and evasion of that previous standpoint. The Embassy reported Daud's statement in telegram 1005 from Kabul, June 2. (*Ibid.*, 689.90D/6-259)

³ Byroade reported on this conversation with Naim in telegram 1035 from Kabul, June 11. (*Ibid.*, 611.89/6-1159)

⁴ An upcoming trade fair scheduled to be held in Kabul.

⁵ Reference is to telegram 1035 from Kabul, June 11. (Department of State, Central Files, 611.89/6-1159)

Family to reinforce its position GOA and of dominant racial group in Afghanistan [*sic*], fear that leadership of all Pushtuns might pass to Karachi, and simple irredentism.

Seems possible that fact that a strong government is in power in Karachi may be regarded by Daud and company as reason for keeping issue alive. On other hand, to extent that they are aware of gravity of danger inherent in attention being showered on them from north there is, I feel certain, some desire for better relations with Pakistan. We deduce from Daud's public statement of May 27 that RGA will at least insist on appearing to retain their position with tribesmen until settlement reached and for this reason as well propaganda will not be eased.

In any case and even though we hold several basic assets in important fields such as education, civil air, et cetera we are convinced that trend of events is running against us here and that unless this trend can be halted Afghanistan will eventually become de facto Soviet satellite. Nothing could be as effective in reversing this trend as a rapprochement with Pakistan which can only be brought about if tensions over Pushtunistan issue are eased. I believe it of greatest importance that GOP do everything that it can without weakening itself to bring about settlement of this issue.

Most effective thing which we can do ourselves to improve situation here is take such further steps as we can to prove to Afghans we interested in their welfare. We believe that Commerce Minister's recent accusations of "foot dragging" reflect fairly widespread view among Afghan intellectuals that US really interested only in Pakistan and Iran in this part of world, and that our efforts here are halfhearted and directed mainly at excluding Soviets from certain areas of Afghan economy and society. It is certain that there is fairly widespread belief here and [*that?*] Soviets, rather than Afghans, are our major target and this tends reinforce deep-seated Afghan sense of isolation and insecurity. Most important thing we can do is show Afghans as soon as possible more concrete results of our aid problems, and I am glad note that although we continue face many problems in implementing program both in Washington and Kabul, these problems appear to be receiving more energetic and imaginative attention than in past. As indicated in Embassy G-36 April 14,⁶ I believe it would be advantageous to us to provide the RGA certain additional aid of somewhat different type of the near future. A despatch detailing Country Team's views on this subject will be pouched later this week.⁷

⁶ Document 126.

⁷ Despatch 1 from Kabul, July 1. (Department of State, Central Files, 611.89/7-159)

Still another action which would have most salutary effect on situation here would be to invite King Zahir to US. As King more popular than Daud and owing his position as temporal and religious leader of Afghans, visit by him would have much more impact here than did successful Daud visit last year. Although actual visit presumably could not take place before 1960, issuance of invitation in fairly near future, with timing of visit left somewhat flexible, would have excellent and timely impact on Royal Family and people.

Byroade

131. Telegram From the Department of State to the Embassy in Afghanistan¹

Washington, June 16, 1959—3:20 p.m.

697. Department concurs Ambassador Byroade proposed visit Karachi (Kabul tel 1038).² In view apparent personal differences between Khattak and GOP officials exemplified Qadir description Khattak activities as "scheming", Department feels RGA offer settle Pushtunistan dispute should, if possible, be disassociated from Khattak. In this connection it would seem important obtain support Pak Ambassador-Designate Rahman for settlement proposal before new approach made to GOP leaders, otherwise such approach might be undercut by opposition Pak Ambassador Kabul or GOP leaders may demur on grounds they must first obtain Rahman's recommendations. Suggest therefore, this factor be taken into account in timing Byroade visit.

When conferring with GOP leaders during proposed visit suggest Ambassadors Byroade and Langley impress on them USG view that improved Afghan-Pak relations essential if free world is to counter effectively Soviet bloc penetration Afghanistan. Unrealistic to expect U.S. to carry full burden this task as suggested by Qadir (Karachi tel 2716).³ Present GOP attitude re Pushtunistan seems inconsistent with its concern threat Soviet presence in Afghanistan allegedly poses for Pakistan as expressed by Qadir and other GOP officials particularly in SEATO and Baghdad Pact forums. Afghan-Pak tensions inimical to Pakistan's national interests and regional security since Soviets thus

¹ Source: Department of State, Central Files, 689.90D/6-1259. Secret; Priority. Drafted by Bolen and Poullada and approved by Bartlett. Also sent to Karachi.

² Document 129.

³ See footnote 2, Document 129.

given opportunity to exploit situation. Mutual reduction such tensions would help ease dangerous sense frustration and isolation which important factors behind RGA gravitation toward USSR.

Dillon

132. Memorandum From the Assistant Secretary of State for Near Eastern and South Asian Affairs (Rountree) to the Deputy Under Secretary of State for Political Affairs (Murphy)¹

Washington, June 23, 1959.

SUBJECT

Evaluation of Recent Soviet Moves in Afghanistan

I am informed that your office has requested NEA's evaluation of the attached telegrams from Kabul in connection with an OCB meeting (Embtels 1035 and 1047).²

We are in full agreement with Embassy Kabul that recent Soviet moves in Afghanistan have further adversely affected U.S. efforts to strengthen Afghanistan's links with the free world and thereby reduce its dependence on the Soviet bloc.

The recent grant of \$80 million by the USSR for road construction is indicative of continuous Soviets pressures to counter free world influence in Afghanistan and particularly to neutralize the U.S.-financed Pak-Afghan transit project. The construction of the strategic road from Kushka to Kandahar via Herat and Farah would enable the Soviets to expand their influence deeply into the area south of the Hindu-Kush, outflank Iran, and give the USSR a potential land invasion route into Pakistan.

Recent Soviet overtures have found considerable receptivity among senior Afghan officials because of the latter's assessment that the present regime in Pakistan (1) constitutes a threat to Afghanistan's national security; (2) would have its military capabilities strengthened as a result of Baghdad Pact actions pursuant to the London Declaration

¹ Source: Department of State, S/S-OCB Files: Lot 61 D 385, Afghanistan. Secret. Drafted by Bolen. Sent through William J. Sheppard, Acting Operations Coordinator. According to a covering note, this memorandum was prepared for Rountree's use during an OCB luncheon meeting scheduled for June 24. See the editorial note, *infra*.

² Telegram 1047 is printed as Document 130. Regarding telegram 1035, see footnote 3 thereto.

and (3) that the United States is not interested in the economic development of Afghanistan as such but rather in pre-empting the Soviets from specified fields of activity.

These developments emphasize the importance of constructive action by the Government of Pakistan to help ease the dangerous sense of frustration and isolation which is an important factor in Afghanistan's gravitation toward the USSR. We have accordingly authorized Ambassador Byroade to proceed to Karachi to discuss the problem of Afghan-Pak rapprochement with our Ambassador in Pakistan and with leaders of the Pakistan Government.

Recent Soviet inroads further point up the necessity for effective and timely action to solve the problem of long delays in the implementation of ICA projects in Afghanistan.

133. Editorial Note

At the Secretary's Staff Meeting on June 24, developments in Afghanistan were discussed. According to the notes of the meeting, the discussion went as follows:

"In connection with Mr. Rountree's exposition yesterday, the Secretary inquired as to whether there were hopes of an early solution to the Pakistan-Afghanistan difficulties and whether it was urgent to find one. Mr. Rountree said that there have been active explorations and discussions going on between our Embassies as well as by various representatives of the two countries but that little of a concrete nature has evolved. Mr. Henderson said he personally felt there was little hope for early solution to the Pushtunistan problem." (Department of State, Secretary's Staff Meetings: Lot 63 D 75)

Also on June 24, the OCB discussed Afghanistan at its luncheon meeting:

"One of the members of the Board asked for an evaluation of the seriousness of the situation in Afghanistan as reflected in Ambassador Byroade's recent telegram. Mr. Murphy responded that U.S. competition with the Soviets in Afghanistan had perhaps been adversely affected by recent Soviet overtures to the Afghans. He advised the Board of the plan to have Ambassador Byroade visit Karachi in an effort to promote a Pakistan-Afghanistan rapprochement on the Pushtunistan issue; on the consideration being given to an invitation to King Zahir to make a State visit to the U.S.; and other measures which the Department has under study to improve the U.S. position in Afghanistan." (Memorandum from Sheppard to Rountree, June 24; *ibid.*, S/S-OCB Files: Lot 61 D 385, Afghanistan)

134. Editorial Note

At the 416th meeting of the National Security Council on August 6, Allen Dulles discussed developments in Afghanistan during his survey of significant world developments affecting U.S. security:

"Noting that Afghanistan was included in the South Asia paper, Mr. Dulles said the situation in this country was very difficult from the point of view of preventing Soviet penetration and loss of Afghan independence. He displayed a map showing Soviet and U.S. projects in Afghanistan, the inaccessibility of the country and the road being built by the Soviets toward the Pakistan border. Soviet assistance to Afghanistan in relation to the population, size and resources of the country is quite large. The USSR was providing Afghanistan with \$25 million worth of arms, including jet aircraft and light and heavy weapons. In addition Soviet Military Advisers are, for the first time, working in the Afghanistan Defense Ministry disguised as instructors. The Soviets have also provided \$260 million in economic aid to Afghanistan, including a \$100 million loan. Five hundred Soviet technicians are supervising construction of a new road and the Soviets are also helping to build airports. Afghanistan has insisted that Soviet assistance should be in the form of grants rather than loans. The Soviets have assented, contrary to their usual practice of providing loans instead of grants.

"Secretary Dillon said the Soviet willingness to consent to grants rather than loans indicated the flexibility of the Soviet foreign economic aid campaign. Moreover, in an economic agreement recently concluded with Afghanistan, the Soviets agreed to accept payment in Afghan currency at a very high rate of exchange for transit charges incurred through the shipment of Afghan goods across the USSR. Afghanistan, however, is keeping the door to the West open a little, thereby leaving the U.S. an opportunity to exploit the Afghan interest in education. The U.S. should also attempt to allay the tensions between Afghanistan and Pakistan resulting from the Pushtoonistan issue. However, Secretary Dillon felt that the U.S. should not try to match Soviet assistance to Afghanistan dollar for dollar." (Memorandum of discussion by Marion W. Boggs; Eisenhower Library, Whitman File, NSC Records)

The South Asia paper in question, which was discussed later at this meeting, is NSC 5909, "U.S. Policy Toward South Asia"; see Document 4. NSC 5909 is printed as Document 6.

135. Memorandum From the Assistant Secretary of State for Near Eastern and South Asian Affairs (Jones) and the Under Secretary of State's Special Assistant for Communist Economic Affairs (Terrill) to the Acting Secretary of State¹

Washington, September 12, 1959.

SUBJECT

United States Action to Counter Soviet Penetration of Afghanistan

Afghanistan is a primary target for Soviet penetration. The Soviet activity in that country affects vital United States interests in South Asia and poses a threat to the entire Indian subcontinent and the Middle East. It is therefore believed that Afghanistan must be regarded as an "emergency action area", requiring us to bring to bear all our economic and diplomatic resources to thwart Soviet ambitions.

I. Introduction

A. Importance of Afghanistan

The Soviet Union attaches great defensive and offensive importance to Afghanistan. Its apparent immediate objective is to make that country so dependent upon the Soviet Union that its government will lose freedom of decision in its relations with the West, in effect becoming a Soviet protectorate. We believe the U.S.S.R. looks upon Afghanistan not only as a prize in itself but as a valuable political and military fulcrum for exercising leverage on the Indian subcontinent and the Middle East. If the Russians were in effective control of Afghanistan they would have driven a wedge between Iran and Pakistan, be within three hundred miles of the port of Karachi, and be in a position to stir up trouble among all the tribal peoples of Pushtunistan along the Afghanistan-Pakistan frontier. Pakistan would be under pressure to seek an accommodation with Soviet power; the Shah of Iran's will to resist Soviet encroachments would weaken; and other precarious border areas like Nepal and Bhutan would be tempted to turn away from the West.

Thus, the defenses of the entire Indian subcontinent would be gravely endangered. The subcontinent is of vital importance to the United States because of its huge population, significant natural resources, and strategic command of free world air and sea routes. Fur-

¹ Source: Department of State, Central Files, 889.00–Five Year/9–1259. Secret. Drafted by Robert P. Terrill and J. Robert Fluker of U/CEA and by Robert W. Adams and Leon B. Poullada of SOA.

thermore, successful Soviet penetration of Afghanistan would increase communist political pressures and military adventures along the entire free world periphery stretching from Turkey to Laos.

B. Soviet Program

The U.S.S.R. has demonstrated its willingness to pay a high price in order to achieve its penetration of Afghanistan. It has made what amounts to a pre-emptive bid for economic and military penetration of that country. The importance which the Soviet Union attaches to this penetration was shown most recently by an \$80 million grant—the first which the U.S.S.R. has made outside its satellites. Since 1954 the Soviet Union has committed approximately \$300 million in economic and military aid in Afghanistan (for details see Tab A).² Its arms program is estimated at about \$75 million. Much of its economic aid, particularly in road construction and POL storage facilities, is noteworthy for its rapid execution, flexibility and close coordination with diplomatic and propaganda maneuvers, in addition to its magnitude and composition.

C. United States Program

The United States economic program since 1952 has totaled about \$150 million (details in Tab B). Of the approximately 70 million dollars committed in U.S. aid to Afghanistan since 1956, almost 40 million dollars remains to be utilized. It is estimated that expenditure under these previous commitments will take two or three more years.

The composition of the total U.S. program has been, in general, adequately balanced between construction works, technical assistance and consumer goods. However, the execution of certain projects has seriously lagged and optimum achievement of U.S. objectives has suffered for lack of firm coordination on various programs. As a result U.S. prestige has reportedly suffered and Afghanistan's appreciation of Soviet capabilities has been enhanced.

II. United States Aims

The increasing inroads which the U.S.S.R. is making in Afghanistan require a re-appraisal of our position in Afghanistan. It would not be prudent for the U.S. to withdraw from Afghanistan nor would it be feasible to attempt to outbid the Soviet Union at this time. Therefore we must operate on the reasonable assumption that Afghan leaders do not desire to become completely dependent on the U.S.S.R. In the final analysis, it is their responsibility to determine at what point

² No tabs were attached to the source text.

Soviet penetration threatens the political integrity of the country and to undertake policies to restrain such penetration. United States action, therefore, should be calculated to achieve the following specific points:

1. To demonstrate to the Afghans that we are genuinely interested in the country's economic development and political independence; and
2. To show the Afghans that the U.S. and the free world are an effective source of support against Soviet pressures now and a logical means of reducing their dependence on the Soviets in the future.

III. Proposed Plan of Action

In order to give effect to U.S. aims set forth in the third alternative above, a vigorous plan of action, as outlined below, should be undertaken:

A. Economic Action

1. Speed is of the utmost importance. The most immediate need is for U.S. action, particularly administrative action, to implement existing programs. Rapid execution of present projects which have lagged for some time (including the important regional transit project, the Kabul University project, and the air project) should be used as an example of our new-found effectiveness, energy and interest in Afghanistan. We should concentrate upon completion of present projects without regard to minor cost increases resulting from the speed-up.

2. We should undertake rapid agreement and execution of a small number of effective new projects amounting, under present thinking, to about \$5 million a year over a period up to five years. This projected total of about \$25 million would probably be the minimum amount necessary to have the desired effects. This total amount of aid could be divided among DLF, ICA and PL 480. The use of Section 104(d)³ local currencies now held in India and other countries would be contemplated. It is important that we convey to the Afghans the magnitude of our total proposed additional aid, as firmly as United States policies and procedures will permit, pointing out that this amount is in addition to the remaining \$40 million of present commitments.

3. The United States, in collaboration with other free countries, should (a) seek to re-direct Afghan trade by such measures, for example, as arranging for in-bond transit through Pakistan of Afghan exports to India, U.S. participation in trade fairs and exhibits in Afghanistan with U.S. private business attendance, and arrangements for regular or emergency supplies of petroleum or other key products through Pakistan; and (b) initiate planning studies of the most effec-

³ Section 104 (d) of P.L. 480 concerned the use of counterpart funds.

tive means, and estimate the cost to the U.S., of bringing about a reduction in Afghan economic and military dependence on the U.S.S.R.

4. The United States and other free-world countries should collaborate to expand Afghan training programs and to promote an enlarged program of exchange of prominent officials and visits of Afghan leaders. United States representatives should endeavor to bring about a review of, and possible increase in, United Nations training and technical assistance programs in Afghanistan.

B. Political Action

1. Authorize our Ambassador to Afghanistan to discuss with the Prime Minister, as soon as possible and in a manner best calculated to achieve our aims, the total strengthened U.S. economic program as may be recommended by the Action Group (suggested in IV below).

2. Invite King Zahir to the U.S. at the earliest possible date. This should be followed by invitations to other high-ranking Afghan leaders, particularly military officers such as the Afghan Chief of Staff. The coming visit of Foreign Minister Naim⁴ should be utilized to impress him with U.S. military, political and economic power.

3. Increase the number of Afghan military officers to be trained in the United States. Continue to encourage Turkish influence in Afghanistan; in particular, Turkey should be urged to appoint a strong Ambassador with an adequate staff to Kabul as soon as possible. We should also continue to support current Turkish proposals for increased training of Afghan military officers in Turkey. When Turkish plans for the establishment of a Military Staff College in Afghanistan are firm, we should consider giving financial support to that project.

4. Consolidate the preponderant U.S. position in the field of Afghan education. Expand the cultural exchange program by inviting larger numbers of Afghan leaders and students to the U.S. with a corresponding flow of Americans to Afghanistan.

5. Encourage additional diplomatic links between Afghanistan and free world countries. A number of free world countries, among them Canada and Australia, are not represented in Kabul. With British effectiveness seriously hampered for historical reasons, the influence of other Commonwealth countries should be brought to bear on the Afghan problem.

⁴ Foreign Minister Naim was scheduled to be in Washington October 12-14 for a series of discussion with U.S. officials; see Documents 138-144.

6. Continue to urge Pakistan and Afghanistan to seek an accommodation over the Pushtunistan dispute, and particularly to refrain from inflammatory propaganda against each other. An exchange of high-level visits between Pakistan and Afghanistan officials should be encouraged.

7. Foster closer Afghan-Iranian relations, making special efforts to urge both countries to resolve the Helmand River dispute.

C. Collaboration with Other Countries

Effective politico-economic action in Afghanistan requires close coordination with other countries. We should, in every way possible, attempt to strengthen Afghanistan's present links and create new ones with the United States and other free world countries in order to make it clear to Afghan leaders that total reliance on the U.S.S.R. is not a matter of necessity. Our consultations with other free world countries, several of which have an interest in countering Soviet penetration of Afghanistan, could be based immediately upon (a) the use of local currencies now held by the U.S. in certain of these countries; (b) collaboration in urgent and effective new programs; and (c) other measures to reduce the cost of an Afghan shift from dependence on the U.S.S.R.

IV. Afghanistan Action Group

Expeditious and concerted action would be assisted by the establishment of a temporary working group to be known as the Afghanistan Action Group, chaired by the Assistant Secretary for NEA. Members of the Group would include representatives of Departmental offices concerned, and of ICA, DLF, Defense and CIA. This Group would be charged with the task of reviewing, coordinating and perfecting the present and planned U.S. programs and recommending modifications as warranted by future events and circumstances. The existence of this group should be kept secret. Knowledge of its existence would not only prejudice its effectiveness but would seriously embarrass the U.S. in relations with other countries.

Recommendations:

1. That you authorize the establishment of an Afghanistan Action Group, including representatives of NEA (Mr. Jones, Chairman), U/CEA, U/MSC, E, CU, ICA, DLF, and Defense, the existence of this group not to be made public.

2. That you request the Afghanistan Action Group to submit urgently specific recommendations to implement the line of action proposed above.⁵

⁵ Dillon initiated his approval of both these recommendations on September 18. He modified the second recommendation by crossing out the phrase that reads: "to implement the line of action proposed above."

136. Memorandum of a Conversation, New York, September 21, 1959, 4 p.m.

Sec Del/MC/34

PARTICIPANTS

The Secretary
Assistant Secretary Jones
R. W. Adams, NEA

Manzur Qadir, Foreign Minister of
Pakistan
Prince Aly Khan, Permanent Mission of
Pakistan, United Nations
Aziz Ahmed, Ambassador of Pakistan
to the United States

SUBJECT

Soviet Penetration of Afghanistan

Having discussed the need for a strong Iran in CENTO (reported in a separate memorandum of conversation),² Foreign Minister Qadir then turned to Afghanistan. He said that Soviet penetration of that country had become so great that Pakistan was seriously worried. He itemized the principal Soviet projects in Afghanistan, stressing the airfields and "military roads", particularly the most recent highway from the Soviet frontier to Qandahar. Although Afghanistan professes to be non-aligned, Mr. Qadir thought it had gone so far in relying on the Soviet Union that it posed a potential threat to Pakistan. He said it would be most useful if American officials talked to Foreign Minister Naim during his forthcoming visit to the United States about the danger of "playing with the Russian bear".

Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Limited Official Use. Drafted by Adams. The source text indicates that the conversation took place at the Waldorf Astoria Hotel. Secretary Herter and Foreign Minister Qadir were in New York for the Fourteenth Session of the U.N. General Assembly, which opened on September 17.

² Scheduled for publication in volume XII.

The Secretary said that Prime Minister Daud, on his visit to the United States last year, had been friendly and had seemed to believe he could cope with the problem of dealing with the Soviet Union and maintaining a policy of non-alignment. Mr. Jones commented that, while Afghanistan's reliance on the U.S.S.R. had increased, as had trade with the Soviet Union, there were other factors which gave hope that Afghanistan could remain non-aligned. For example, Afghanistan continued to look to the United States for assistance in the important field of education.

The Secretary said that the United States had faced many difficulties in developing an effective aid program in Afghanistan, and that the record of achievement in such programs in that country was not one of which the United States was particularly proud. These difficulties had been largely contractual in nature, getting the right people and equipment out to Afghanistan. The United States hoped to do better in its aid projects in Afghanistan in the future, and it was believed it was not too late for constructive programs there which would make Afghanistan less dependent on the Soviet Union. It was particularly important, the Secretary said, to give Afghanistan facilities for trade through Pakistan so that its growing volume of trade with the U.S.S.R. could be reduced.

Mr. Qadir agreed and said Pakistan was ready to cooperate in any way it could to achieve this end. He added that the real difficulty was Afghanistan's continued propaganda concerning "Pushtunistan", where it demanded a plebiscite to carve an independent country out of what was already Pakistani soil. The Afghans distort truth by comparing the "Pushtunistan" issue with the Kashmir problem, perhaps encouraged by the Indians to do so, although there is in fact, according to Mr. Qadir, no similarity between these two questions.

137. National Intelligence Estimate¹

NIE 53-59

*Washington, September 22, 1959.***THE OUTLOOK FOR AFGHANISTAN****The Problem**

To estimate probable developments in Afghanistan's internal affairs and international position over the next few years.

Conclusions

1. The prospect for political stability in Afghanistan is relatively good for the next few years. The royal family enjoys the support of the armed forces and its position appears secure. Prime Minister Daud will probably continue to exert a major influence in the country. (Paras. 8-10, 13, 15-17)

2. Over the longer term, some major change in the present political situation seems inevitable as the armed forces become conscious of their growing power, and as they and the literate urban element are affected by Communist and other foreign influences. (Paras. 18-19)

3. Modernization of Afghanistan's armed forces and the improvement of its primitive economy are being achieved at the cost of considerable dependence on the Communist Bloc. For the foreseeable future, Afghanistan will be almost entirely dependent on the USSR for support of its armed forces. The Soviets are also in a position to use their extensive trade relationships with the Afghans to put heavy economic pressure on the country. If the USSR were to cut off this aid and trade Afghanistan would have difficulty even now extricating itself under its own power, and its chances of being able to do so will decrease as time

¹ Source: Department of State, INR-NIE Files. Secret. NIEs were drafted by officers from those agencies represented on the Intelligence Advisory Committee (IAC), discussed and revised by interdepartmental working groups coordinated by the Office of National Estimates of the Central Intelligence Agency, approved by the IAC, and circulated under the aegis of the President to appropriate officers of cabinet level and the members of the NSC.

According to a note on the cover sheet, the following intelligence organizations participated in the preparation of this estimate: the CIA and the intelligence organizations of the Departments of State, Army, Navy, Air Force, and The Joint Staff. All members of the IAC concurred with the estimate on September 22 with the exception of the representatives of the Atomic Energy Commission (AEC) and the Federal Bureau of Investigation (FBI), who abstained on the grounds that the subject was outside their jurisdiction.

passes. The Afghans could avoid severe economic hardship or capitulation to Soviet demands only if the West undertook to help meet their modest import and export requirements. (Paras. 12, 20–29)

4. The USSR will almost certainly attempt gradually to tighten its grip on Afghanistan but will exercise care to avoid provoking a crisis. Any move to take over control of the country would raise problems for broader Soviet strategy. Nonetheless, the Soviets would probably go to considerable lengths to protect their position if it were directly challenged by the West. (Paras. 37–38)

5. Afghanistan's neutrality seems likely to take on an increasingly pro-Soviet tone. Because of their pique at the US and reluctance to antagonize the USSR, the Afghans will probably continue to support the Soviet position on issues which they do not believe to be of direct interest to Afghanistan. We believe, however, that Daud and his associates still consider the preservation of their country's independence to be the primary objective of their policy and that for some time to come at least they would resist any Soviet effort to infringe on their sovereignty. (Para. 36)

6. In view of the increased hostility between Pakistan and Afghanistan since the advent of the new military regime in Karachi, settlement of the Pushtoonistan dispute or any major improvement in relations between the two countries is improbable over the next few years. Sporadic violence in the border area is possible but is unlikely to lead to large-scale hostilities or to closure of the border. (Paras. 31–32)

7. The Afghan regime resents US support for Pakistan and considers the US aid program in Afghanistan to be limited and slow-moving. However, it will continue to welcome ties with the US as a counter to expanding relations with the Bloc and probably hopes that the US would bail Afghanistan out if the Soviet Union began to apply economic pressure. (Paras. 39–41)

Discussion

[Here follows a detailed discussion of Afghan internal developments and economic situation in numbered paragraphs 8–29.]

III. International Position

Afghanistan's Foreign Policy Objectives

30. Afghanistan's principal concern, now as for more than a hundred years, is the preservation of the country's independence. In the nineteenth and early twentieth centuries, the Afghans worked toward this objective by preservation of the country's isolation from the rest of the world and acceptance of its status as a buffer between Russian and British power. Since World War II, the problem has been complicated by withdrawal of British power from the Indian subcontinent and by

Afghan desires for foreign aid to promote internal development. In its search for foreign aid, the Daud regime has opened the country to outside influence on an unprecedented scale, at the same time trying to reduce the political impact by proclaiming a policy of strict neutrality in the struggle between the great powers and encouraging active competition between the Communist Bloc and the West. Daud and most influential Afghans still appear to be confident of their ability to pursue this policy without compromising their independence, and they are unlikely of their own accord to modify their policy in the foreseeable future.

Relations with Pakistan and Iran

31. Since 1947 there has been almost constant friction between Afghanistan and Pakistan. The Afghans have actively attempted to promote their influence among the several million Pushtu-speaking people who live in Pakistan through the Pushtoonistan movement which demands a special status for Pakistan's Pushtoons.² Daud is deeply committed to Pushtoonistan and in 1955 used Western refusal to support Pushtoonistan and Western aid to Pakistan to justify his acceptance of assistance from the Soviet Union. At the same time, the Pakistanis have used their influence among the Pushtoons in Afghanistan to embarrass the Kabul Government and have toyed with the idea of trying to unseat Daud through tribal action. Relations improved somewhat in 1957-58 during the course of an exchange of visits by Afghan and Pakistani leaders but cooled off again after the advent of the military regime in Karachi. The new Pakistani regime (which contains a strong Pushtoon element) is apparently less willing than its predecessor to negotiate with Daud on the Pushtoonistan issue.

32. Under these circumstances, any major improvement in Afghan-Pakistani relations is improbable over the next few years. Indeed, the prospects are that relations will deteriorate further in the next year or so. Any such deterioration would probably be reflected in renewed disturbances in the border area and efforts by each side to stir up the tribes within the other's territory. Tension could grow to the point where the border might be closed as in 1955. We believe, however, that the odds are against either this or major military action by either side during the period of this estimate.

33. Afghanistan has also had difficulties with Iran, but these are of considerably less importance than those with Pakistan. Daud apparently feels that Iran's membership in the Central Treaty Organization and its receipt of military assistance from the West have upset power

² Afghan demands have varied from a plebiscite in the Pushtu-speaking tribal area just inside the Pakistan border to complete independence for an area encompassing half of West Pakistan. [Footnote in the source text.]

relationships in the area and made it more difficult for Afghanistan to maintain its policy of neutrality. There is also a longstanding dispute between the two countries over the disposition of the waters of the Helmand River. Afghanistan is in a favorable position because of its control of the upper reaches of the river, and as long as it has other grievances against Iran, the odds will probably remain against settlement of the quarrel.

Afghan-Soviet Relations

34. Daud and his government are aware that they are running a risk in opening Afghanistan to Soviet influence, but feel that they would run a greater risk if they had not strengthened the country's military and economic position. After five years of increasingly close relations with the Communist Bloc, there is ample evidence that the Afghans are still suspicious of Soviet motives and tactics. At the same time, they are apparently satisfied with the speed and extent of the Soviet aid program and with the political support given them by the USSR on such issues as their quarrel with Pakistan. In general, Afghanistan and the Soviet Union have enough compatible short-term interests, political as well as economic, to make profitable a fairly high degree of cooperation between them.

35. In the past year or so, there have been indications that a few influential Afghans are beginning to feel that the Communist Bloc is gaining a preponderance of power over the West and that Afghanistan, because of its geographic location, must inevitably orient itself toward the Bloc. This attitude probably derives in part from disillusion with the West over the limitations of Western aid and the favorable effect of several years of correct Soviet behavior. Left alone, this feeling could grow and eventually deprive Afghan leaders of their most important weapon in countering Soviet penetration, i.e., the traditional will for independence.

36. To date, however, the bulk of the evidence indicates that Daud and most Afghans still consider the preservation of Afghanistan's independence to be the primary objective of their policy, and we believe that now and for some time to come at least they would resist any Soviet actions which they considered to infringe on their sovereignty, regardless of the cost to their economy. At the same time, because of their pique at the US and their reluctance unnecessarily to antagonize the USSR, they will probably continue willing to support the Soviet position on some international issues which they do not believe to be of direct interest to Afghanistan. Thus, their neutrality seems likely to take on an increasingly pro-Soviet tone.

37. We believe that the USSR will probably continue to exercise care to avoid provoking a crisis. In 1953-1955, the USSR's objective was probably to deny Afghanistan to the West in the face of Western

moves to create the "northern tier" alliance. Since then, the Soviet Union has gone on to expand its influence in Afghanistan as a means of exerting pressure on neighboring pro-Western Pakistan and Iran and of opposing Western interests in the area generally. In the process, the USSR has invested an unusual amount of money and effort. For example, the \$80 million Soviet grant for improvement of the Kushka-Herat-Kandahar road is the first major Soviet grant assistance to any country outside the Bloc.

38. The USSR will almost certainly attempt gradually to tighten its grip on Afghanistan, and it would probably go to considerable lengths to protect its position if this were to be directly challenged by the West. The Soviet leadership may see Afghanistan as the gateway to ultimate expansion into the subcontinent. However, at the moment, any move to take overt control of the country would raise problems for broader Soviet strategy. Furthermore, the Soviets probably believe that their position and prospects in Afghanistan are developing favorably. We therefore believe it unlikely that the Soviet Union has radical objectives in regard to Afghanistan in the immediate future. We believe that, barring a major change in Soviet tactics or an inadvertent Soviet alienation of the Afghan regime, the present pattern of Soviet-Afghan relations will persist for some time.

The Western Position

39. Afghan attitudes towards the West are ambivalent. There is still a lingering suspicion of the UK throughout the country. West Germany is generally held in high esteem, although its influence in the economic field has decreased as the Soviet aid program has expanded. Daud and his colleagues believe that the US denied them political and security support while giving such support to Pakistan. They are also disgruntled with what they feel to be the limited and slow-moving US aid program. Indeed, some of them have asserted that the US offers aid projects only to exclude the Soviets and is not interested in implementing the projects for the benefit of the Afghans.

40. At the same time, the Afghan leaders have made it clear that they welcome continued ties with the US as a counter to their expanding relations with the Communist Bloc. Thus, they have encouraged US activities in education, while excluding the Communists from this important field. They have also continued to send a few military officers to the US for training. They probably remain hopeful that the US would bail them out if the Soviet Union began to apply economic pressure.

41. From the Western point of view, both the position of the royal family and the personality of Daud have major advantages and disadvantages. The royal family is suspicious, autocratic, and generally hostile to Pakistan, but it has brought a relatively high degree of

stability to the country, and its members are almost certainly aware that there is no place for royalty in a Communist system. Daud is more aggressive than other Afghan leaders on the subject of Pushtoonistan and is apparently prepared to go further in his dealings with the Communist Bloc. At the same time, Daud is probably more capable of maintaining internal security and restricting Communist penetration while promoting the necessary economic development program.

42. We believe that in general there is unlikely to be any major change in Afghan attitudes toward the West in the near future—given continued Soviet forbearance and the absence of an open clash with Pakistan. However, a gradual increase in Afghanistan's dependence on the Bloc appears probable during the next few years. The speed and extent of any such increase will depend largely on the desire and ability of the West to regain the confidence of Afghan leaders and to play an effective role in the country's economic development program. If Afghanistan should try to extricate itself from its dependence on the Bloc, its chances of success would depend primarily on the West's willingness to provide the necessary support.

**138. Memorandum of a Conversation, White House,
Washington, October 12, 1959¹**

SUBJECT

Call of Prince Naim on the President

PARTICIPANTS

The President

His Royal Highness Sardar Mohammad Naim, Deputy Prime Minister and Foreign Minister, Afghanistan

His Excellency Mohammed Hashim Maiwandwal, Ambassador of Afghanistan to the U.S.

His Excellency Abdul Rahman Pazhwak, Ambassador of Afghanistan to the United Nations

G. Lewis Jones, Assistant Secretary, NEA

After the usual exchange of amenities Prince Naim delivered to the President the good wishes of his Sovereign and was charged, in return, with returning the President's good wishes. The President opened up by saying that the U.S. is fully aware that the Afghan

¹ Source: Department of State, Central Files, 789.11/10-1259. Secret. Drafted by Jones.

Government and people are determined to maintain their independence and integrity. Since the Afghans must naturally be alert to the danger of their independence being subverted by the Soviet Union he "was not going to take the trouble to talk about this". The President wanted his visitors to know, however, that insofar as Afghan independence was at stake (or the independence of other states in the area) the Afghans could count upon U.S. backing: "we will be in your corner", the President said.

The President went on to remark that the states of the area could pay more heed to problems of maintaining their independence if the tensions between them were lessened. Thus, it would be helpful to the stability of the area if Afghan-Iranian difficulties regarding the Helmand river could be settled and if the "territorial problem" between Afghanistan and Pakistan could be resolved. The President did not mean to say that these problems were easily solvable: the points of view of two sides were involved, but anything which could be done towards their resolution would be highly useful. The President said that he hoped Prince Naim would not think he was reading him a lecture: indeed, he wanted to hear the views of Prince Naim. He had been led to make his remarks simply because he was thinking of the problem of tensions in the area so close to the Soviet Union.

Prince Naim said he was deeply grateful for the thoughts that the President had expressed. It was true that the Afghan Government and people are fiercely determined to maintain their independence. This was no new development—the Afghan people had for centuries been fighting for their independence and would continue to do so.

With regard to Iran, Prince Naim wanted to comment that *no* political problem existed between Afghanistan and Iran: there is only the technical one of the Helmand river. Thanks to the help of the State Department some years ago competent experts had surveyed the situation and made certain recommendations.² The Afghan Government stands by those recommendations and is ready to negotiate with Iran on this basis at any time.

Regarding Afghan-Pakistani relations, Prince Naim wanted to make a slight correction. The political problem of Pushtunistan was *not* a territorial problem. Afghanistan has no claims on Pakistan in this connection. The previous Prime Minister of Pakistan, at the suggestion of the President, had visited Kabul and "a kind of negotiation to settle the Pushtunistan problem had begun".³ However, with the change of government in Pakistan there appeared to have developed a hardening on the Pakistani side. "We are now met with a 'cold and distant'

² Regarding the Neutral Commission Report on the Helmand Valley in 1951, see *Foreign Relations*, 1951, vol. v, p. 1459.

³ Suhrawardy visited Kabul, June 8–11, 1957.

response when we try to talk about this problem to Pakistan". Prince Naim said that with good will on both sides he thought that Afghanistan's problems with both Iran and Pakistan could be taken care of. They were, however, minor compared to the economic problems faced by Afghanistan. On Afghanistan's northern frontiers lies the Soviet Union, or rather certain states of the Soviet Union with people whose appearance, language and customs are very like those of the Afghans. At one time these states shared Afghanistan's underdeveloped backwardness. However, in recent years these states had "leaped forward" in economic development and this example made all the more pressing the need of the Afghan Government to effect similar development within its frontiers. He said that roads, agriculture and education would have to be improved in Afghanistan. It was in the field of economic development that Afghanistan must push ahead.

The President said that he could understand Afghanistan's need for progress in these fields and that he hoped Prince Naim when he talked at the State Department would state frankly just what is needed. Within its capabilities the U.S. would like to help Afghanistan with its educational, agricultural, and communications problems.

The interview, which lasted about 40 minutes, was terminated by the entry of photographers. This last gesture on the part of the President deeply gratified Prince Naim and his two companions.

Note: This was the first contact between Prince Naim and the President. The former told me afterwards that he had been deeply impressed by the friendliness of the reception accorded him.

**139. Memorandum of a Conversation, Department of State,
Washington, October 12, 1959¹**

SUBJECT

Meeting with Prince Naim Concerning Afghanistan's Economic Development Problems

PARTICIPANTS

His Royal Highness Sardar Mohammed Naim, Deputy Prime Minister and Foreign Minister of Afghanistan
Ambassador Maiwandwal of Afghanistan
Ambassador Pazhwak, Afghan Ambassador to the United Nations
Abdul Hai Aziz, Acting Minister of Planning, Royal Government of Afghanistan

¹ Source: Department of State, Central Files, 789.11/10-1259. Confidential. Drafted by Bostwick on October 20.

M/MSC—Mr. John O. Bell
U/CEA—Mr. Robert P. Terrill
SOA—Mr. Frederic P. Bartlett
SOA—Mr. Leon B. Poullada
SOA—Mr. Dudley C. Bostwick
ICA—Mr. Leonard J. Saccio
ICA—Mr. Leland Barrows
ICA—Mr. Stellan C. Wollmar, Director USOM/Afghanistan
DLF—Mr. Vance Brand

Prince Naim stated that he was sorry Mr. Dillon was out of the city and could not attend the meeting. He further stated that since he had already talked with Secretary Herter on political matters² he intended to confine his discussions at the meeting to economic projects.

The Deputy Prime Minister said he believed that economic progress was essential in order to build a modern social foundation for Afghanistan. While Afghanistan has prepared development plans he felt that its plans were inadequate to meet its needs, and to create conditions of security more comprehensive plans were needed. Specifically, Afghanistan required accelerated development in the fields of (1) agriculture, (2) communications and roads, and (3) education.

As regards agriculture, Prince Naim stated that the completion of the Helmand Valley project was of great importance since the uncompleted portions adversely affected the whole project and prevented the attaining of the project's hoped-for results. (He did not mention specifically the lower Helmand at this juncture.) In addition, the Deputy Prime Minister stated that the fertility of the soil was steadily deteriorating and the need for fertilizer was becoming urgent.

In the area of communications Prince Naim expressed the opinion that the completion of the Kandahar-Kabul road, which is now under study, was of foremost importance. His government was also considering the desirability of a road from Herat to the Iranian border near Meshed and a road from Farah to the Iranian border near Zahidan.

As regards education, the Government of Afghanistan would like to strengthen the established technical schools, particularly the AIT, and also organize a Faculty of Engineering for producing needed technical personnel.

At the conclusion of the Prime Minister's résumé, Mr. Bell said that the Deputy Prime Minister was speaking before a sympathetic audience, an audience interested in Afghanistan's development progress and problems. He noted that the United States had been cooperating to date in aiding Afghanistan in the three fields mentioned by

² There is no record in Department of State files of any meeting between Naim and Herter on October 12. They did meet on October 13; see Documents 142 and 143.

Prince Naim—namely, agriculture, communications and education—and that the United States hoped to continue to cooperate in these fields in the future.

In response to a question from Mr. Brand as to Afghanistan's development plans in the industrial sector, Prince Naim said that these plans fell into two separate categories: first, the completion of projects already under way, specifically mentioning the Gulbahar Textile Mill, the production of which was urgently needed in order to meet Afghanistan's textile requirements and save foreign exchange, and, second, projects not yet under way. Among projects planned for the future he mentioned the desirability of the creation of certain small-scale industries to parallel agricultural development and the need for hydroelectric power distribution in Kabul. Mr. Aziz then mentioned that applications had been filed with the DLF which included Gulbahar and Kabul electric power distribution. It was planned, Mr. Aziz said, to submit an application in due course for the Industrial Development Bank.

Prince Naim then said that the Government of Afghanistan lacked experienced personnel in the field of planning, and specifically requested assistance from the United States, stating that "we would like an expert from the United States to work as an adviser in the Ministry of Planning." Further conversation developed that Prince Naim desired the expert to be an agricultural economist. Mr. Bell stated that there was difficulty in obtaining this type of skill but the United States was interested in assisting in this field and the matter would be explored. Mr. Bell also expressed the opinion that the Government of Afghanistan officials should confer with Mr. Brand of the DLF regarding the Afghanistan applications. (Mr. Brand left the meeting just prior to this point.) Prince Naim said that he would like very much to discuss this matter with the DLF and would stay longer in Washington if necessary in order to do so.

Prince Naim indicated that he would like a judgment regarding the general tenor of Afghanistan's economic planning. Mr. Bell stated that it would appear that the Government in its emphasis on agricultural production, roads and communications, and education was striking at basic problems and was being intelligent and logical in concentrating on these three basic fields—fields in which United States cooperation was also centered. Prince Naim then stated that his Government placed the highest priority on obtaining the services of an agricultural economist.

As regards fertilizers, the Deputy Prime Minister stated that the utilization of chemical fertilizer could increase agricultural yields 100 percent. In response to a question from Mr. Bell as to whether there had been any technical exploration of domestic fertilizer production, Mr. Aziz said "only generally."

The meeting closed with Mr. Bell's stating the United States was sympathetic to Afghanistan's development problems and anxious to help within its capabilities.

140. Memorandum of a Conversation, Department of State, Washington, October 12, 1959, 3 p.m.¹

SUBJECT

Call of Deputy Prime Minister Naim on Assistant Secretary Jones

PARTICIPANTS

His Royal Highness Prince Naim, Deputy Prime Minister
Ambassador Maiwandwal
Ambassador Pazhwak, Afghanistan's Representative to the UN
NEA—Assistant Secretary G. Lewis Jones
NEA—Deputy Assistant Secretary Parker T. Hart
SOA—Leon B. Poullada, Acting Deputy Director

Prince Naim and his party called on Assistant Secretary Jones at 3 p.m. Prince Naim expressed his great pleasure at having had the opportunity to meet with the President that morning.

Soviet-Afghan Relations

Prince Naim then elaborated on the theme that the Afghans are resolved to preserve their independence. In his opinion the greatest threat to this independence is the economic weakness of his country. He mentioned that the greatest help to Communist ideology is lack of economic progress. His people must be given some hope of bettering their lot or they will be susceptible to subversive ideas. He referred to his recent visit to China,² noting that the ability of the Communist leaders to keep a firm grasp on the Chinese people is directly related to the improved economic conditions of the ordinary man in China.

Mr. Jones remarked that Afghan leaders should give some thought to the motives which the USSR might have in giving extensive economic assistance to Afghanistan. If their purpose is to promote Communism, why are they giving Afghanistan economic aid, thus presumably making it less susceptible to Communism?

¹ Source: Department of State, Central Files, 789.11/10-1259. Confidential. Drafted by Poullada.

² Naim arrived in the People's Republic of China on September 5 for a 2-week visit.

Prince Naim replied that while undoubtedly the world aims of Communism remain unchanged, for the present their aims in his country seem to be directed towards impressing other Asian nations with the benevolent intentions of the USSR. He indicated that Afghan leaders were not unaware of the deeper motives underlying Soviet actions and for that reason were taking all possible precautions to prevent subversive activities in Afghanistan.

Mr. Jones remarked that he was very pleased to have Prince Naim present this picture of Afghan intentions because reports of Soviet activities in Afghanistan have presented to the American people an image of a country falling under Soviet domination. Undoubtedly the massive Soviet economic and military aid to Afghanistan tends to create such an impression and it was very helpful to American officials to have this picture placed in proper perspective by Prince Naim.

United States-Afghan Relations

Mr. Jones went on to say that we did not intend to compete in an economic war with the Soviets in Afghanistan and that our aid was aimed at proving to Afghanistan the friendship of the United States and to convince Afghan leaders that a reasonable alternative existed to over-dependence on the USSR.

Prince Naim assured Mr. Jones that the Afghans do not wish to stimulate a competition between the United States and the USSR for the benefit of Afghanistan. He smilingly remarked that this approach has at times been referred to as "blackmail" and that the Afghans were not in favor of such an approach to the problem. He wanted the United States to know that the feeling of friendship which Afghanistan has for the United States is quite independent of any economic assistance which the United States may see fit to extend to his country. He did want us to know, however, that Afghanistan had turned for aid to the USSR, both in the economic and military field, after the Afghans had made repeated requests to the United States for aid. At first these requests had been disregarded and when finally the United States had extended economic assistance it had been "too little and too slow." Afghanistan continued to be in dire need of economic assistance particularly in the fields of communications, agriculture, and education.

Iranian-Afghan Relations

Mr. Jones stated that he had been pleased by the President's emphasis on the need for better relations between Afghanistan and its two free world neighbors, Pakistan and Iran. Prince Naim stated that relations with Iran have been on the whole quite good; that there have been no serious political differences and the only issue between the two countries is the division of the Helmand River waters. Prince

Naim then launched into a long and detailed review of the negotiations between the two countries over this problem. He stressed that Afghanistan had in every case agreed with the recommendations of the various groups which had studied this question and with the recommendations of the Neutral Commission in 1951, but that in every case Iran had refused to abide by these recommendations. Prince Naim then reviewed the recent negotiations in Kabul in which Iran was represented by Senator Jahanbani. Naim was obviously incensed with the manner in which Jahanbani had conducted the negotiations. His specific complaint against Jahanbani revolved around Jahanbani's refusal to abide by the terms of reference of his mission as previously agreed to by both governments and by the fact that Jahanbani had resorted to "intimidating" the Afghan Government in certain communications which he had addressed to Prince Naim. Naim repeated that Afghanistan is at all times prepared to reopen negotiations but the discussions would have to take into full account the work which the Neutral Commission has already done. He then proceeded to indicate on the map the location of the proposed dam which Afghanistan wants to build, the areas which are subject to periodic floods, etc.

Mr. Jones suggested that perhaps a new look could be taken at the problem on the basis of data which might have accumulated since the 1951 Neutral Commission Report. Prince Naim replied that he did not believe such an approach would be productive. Afghanistan has available data on water flow since 1951 but it sees no reason why it should be made available to Iran. Mr. Jones inquired whether the proposed Afghan Dam would not be capable of altogether cutting off water from Iran. Prince Naim agreed that might be so but that, of course, Afghanistan would never reduce the share to Iran which it had agreed to furnish, namely 22 CMS.

Mr. Jones then led the conversation into a review of some of the projects which are under consideration in CENTO, and pointed out that some of these might well be of great assistance to Afghanistan. He mentioned the fact that the CENTO railroad link would eventually provide transportation facilities from Europe as far as Meshed and inquired whether some thought should not be given to extending the link from Meshed into Afghanistan. He particularly stressed the possibility of Iranian petroleum products as an alternative source of supply so that Afghanistan would not be so dependent on the USSR for these commodities. Prince Naim recalled that the Afghans had on several occasions suggested linking the railroad systems of Iran and Pakistan through a link constructed in Afghanistan through Herat, Farah, Kandahar, and Chaman. He said that Afghan overtures to the United States on this project had not been taken seriously.

Mr. Jones then mentioned briefly the proposed development of a port on Pakistan territory at Ormara and inquired whether this could not be useful to Afghanistan. Prince Naim agreed that if a suitable road or rail link could be built to the port it would be very useful. Mr. Jones then mentioned the CENTO Telecommunications Project and inquired whether a link into Afghanistan would not be helpful. Prince Naim replied that he had not heard of this project and was not prepared to comment on it at this time.

Pak-Afghan Relations

The meeting lasted one-and-one-half hours and towards the end Prince Naim said he would have liked also to have discussed Pak-Afghan relations. He then briefly summarized Afghan unhappiness over the fact that during President Mirza's regime relations with Pakistan seemed to have been improving but had deteriorated since the Ayub regime came into power. Mr. Jones inquired whether Prince Naim had the opportunity of meeting with Pakistan's Foreign Minister Qadir, and Ambassador Maiwandwal confirmed that Qadir was to call on Prince Naim that evening for informal discussion.

141. Editorial Note

Bartlett and Poullada met with Pakistani Foreign Minister Qadir in Washington on October 12 with regard to the Pushtunistan dispute and the prospects for a rapprochement between Pakistan and Afghanistan. A memorandum of that conversation, drafted by William F. Spengler of SOA, reads in part as follows:

“Mr. Qadir hoped the United States might find it possible to assist in bringing about a solution of this problem and an improvement in Afghanistan's relations with the free world. He referred to American aid to Afghanistan, and observed that there appeared to be two alternatives: either to increase aid to counteract Soviet influence in that country or to threaten to curtail aid unless Afghanistan adopted a more cooperative attitude. He thought the latter, in particular, would have a strong impact on the Afghan Royal Family which, he was convinced, must appreciate the dangers of mounting Soviet influence. The Royal Family, he said, must know ‘it would be the first to go’ if the Russians took over in Afghanistan.

“Mr. Poullada pointed out that because of financial and policy considerations the United States was not prepared to ‘outbid’ the U.S.S.R. in Afghanistan. On the other hand, United States ‘withdrawal’ would only serve to drive the RGA into the arms of the

U.S.S.R. Therefore, our room for maneuver was rather limited, which meant, in effect, maintaining our aid and influence more or less along present lines.

"Mr. Bartlett stated that the United States would assist where it could in encouraging an improvement in relations between Afghanistan and the free world, and pointed to the regional transit project as an example of how we might be helpful. But the United States considered the 'Pushtunistan' dispute a problem to be settled by the parties most immediately concerned. We did not possess the depth of experience in the complexities of tribal affairs—particularly in their psychological aspects—to intervene directly in a matter as involved as the 'Pushtunistan' dispute.

"Mr. Qadir stated that he understood this position and that he intended to try once more to get the Afghans to clarify the issues in the 'Pushtunistan' dispute so that a solution might be negotiated. He said he had arranged to call on the Foreign Minister of Afghanistan, Prince Naim, that evening in Washington and would take up the matter personally with him." (Department of State, Central Files, 689.90D/10-1259)

That evening Qadir and Naim met for informal discussions at the Afghan Embassy. At the Secretary's Staff Meeting on October 13, Jones reported that the atmosphere at the meeting was described as good and that as a result of the meeting there were "seeds of hope." (Notes of the Secretary's Staff Meeting; *ibid.*, Secretary's Staff Meetings: Lot 63 D 75)

142. Memorandum of a Conversation, Department of State, Washington, October 13, 1959¹

SUBJECT

Afghanistan's Relations with the U.S.S.R.—Independence as the Key Issue

PARTICIPANTS

The Secretary

H.R.H. Prince Mohammad Naim, Deputy Prime Minister and Foreign Minister of Afghanistan

H.E. Mohammed Hashim Maiwandwal, Ambassador of Afghanistan

H.E. Abdul Rahman Pazhwak, Representative of Afghanistan to the United Nations

NEA—Mr. G. Lewis Jones

SOA—Frederic P. Bartlett

¹ Source: Department of State, Central Files, 661.89/10-1359. Confidential. Drafted by Bartlett.

Background of Conversation

Prince Naim came to the United States principally for medical care in New York. He took the occasion of his stay in that city to visit Washington in order, among other purposes, to call upon the Secretary. His conversation with the Secretary centered around three subjects—Afghanistan's relations with the U.S.S.R., with Iran and with Pakistan. The present memorandum covers the first subject.²

Substance of Conversation

The Afghan Foreign Minister stressed that for hundreds of years Afghanistan had fought valiantly to maintain its independence and its freedom. These remained the basic objectives of his Government. In the case of Afghanistan independence, however, in turn depended on the Government's assuring its people a reasonable degree of economic progress. Otherwise they could be exploited by outside forces. Given the fact that Afghanistan was unfortunately very underdeveloped, such economic progress in turn depended upon outside assistance. Like many other countries, Afghanistan had come and continues to come first to the United States for help. It had gratefully received substantial assistance from the United States, but its feeling of friendship for the United States was based not only on its gratitude for material things, but on moral foundations as well. In spite of United States assistance, however, there had remained gaps in Afghanistan's economic requirements. To help fill these it had had no other alternative than to turn to the Soviet Union.

The Secretary replied that the United States Government understood the Afghanistan Government's need to assure the economic progress of its people. The United States Government also was aware of the Afghanistan Government's feeling that it had been and was necessary to look to the north for certain assistance. Obviously the United States Government with its limited resources and worldwide commitments was not in a position to "compete" with the Soviet Government in the economic aid field. However, the Secretary hoped that the United States Government could and would improve the way in which its economic aid was administered. If the United States or Afghanistan's other friends appeared nervous over the degree to which Afghanistan was relying upon the Soviet Union for economic assistance, the Secretary said it was only because Afghanistan's friends' sole desire was that Afghanistan itself remain free and inde-

² A memorandum of conversation covering the third subject is *infra*. A memorandum covering the second subject is in Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199.

pendent. This concern over Afghanistan's reliance upon the U.S.S.R. had now been mitigated, the Secretary concluded, by the assurances just given by the Foreign Minister.

143. Memorandum of a Conversation, Department of State, Washington, October 13, 1959¹

SUBJECT

Afghanistan's Relations with Pakistan—Pushtunistan as the Key Issue

[Here follow the same list of participants and the paragraph describing the background of the conversation as the memorandum of conversation, *supra*.]

Substance of Conversation

The Foreign Minister noted that the President, when he had received the Foreign Minister the day before, had referred to the Pushtunistan problem as a "territorial" one. Prince Naim believed that this was not the proper interpretation of it. Actually seven million or so Pushtu-speaking people living in what is now Pakistan merely wanted to have the freedom to express their views regarding their own future. This had not been given to them even at the time of partition when it had been given to other communities in what had been undivided India. Prince Naim insisted that the Afghanistan Government had formally explained to Pakistan that Afghanistan had no "territorial" claims.

A year or so ago when Mirza had been President of Pakistan there had been an exchange of visits between Mirza and the King of Afghanistan. The Pushtunistan issue at this time seemed to have some chance of becoming resolved. Since the new regime in Pakistan, however, had taken over, Ayub seemed very cool toward negotiating with Afghanistan. The Foreign Minister knew, nevertheless, that the Pakistan Government was aware of the problem since its former Ambassador in Kabul had often discussed it with him, Prince Naim. Ambassador Khattak had suggested, for example, that Pushtunistan leaders in Pakistan might make statements of loyalty to the Pakistan Government. If they did so, the Ambassador inquired of Prince Naim, what would the attitude of the Afghanistan Government be? The Foreign Minister said

¹ Source: Department of State, Central Files, 689.90D/10-1359. Confidential. Drafted by Bartlett.

that he had told the Ambassador that all that the Afghanistan Government wanted was that the Pushtu-speaking peoples along the western frontier of Pakistan be given an opportunity to freely express themselves. Almost ten years had now been "wasted" in futile approaches to the Pushtunistan issue.

The Afghanistan Government would welcome any good offices or advice which the United States Government might be willing to extend toward settling the issue because the United States was "a friend of both Afghanistan and Pakistan". Actually, Prince Naim continued, he was always in touch with the American Embassy in Kabul on this question, hoping that somehow a better atmosphere for the resolution of the issue might be created. It seemed to him that it was the Pakistanis who were reluctant to approach the problem.

Mr. Jones asked if the Pakistan Foreign Minister, Qadir, had raised it when he had called upon Prince Naim the night before. The answer was that Mr. Qadir's call had been almost entirely a courtesy visit. The Afghan Foreign Minister reiterated that he believed that there must exist a reasonable way in which to resolve both the Helmand and Pushtunistan problems. All three countries involved needed peace and tranquillity to satisfy the economic aspirations of their peoples.

In concluding the almost hour long conversation reported in this memorandum and two associated ones, the Secretary stated that he wanted to reassure Prince Naim, as the President had done, of the United States friendship for Afghanistan and its desire to help Afghanistan in such ways as it appropriately could to solve Afghanistan's domestic economic problems and to help improve its relationships with its free world neighbors. The Secretary concluded that he personally appreciated the Foreign Minister's visit. He trusted that Prince Naim would try to come each fall to the General Assembly session. If the Foreign Minister were able to do this, the Secretary hoped that he would take the opportunity to visit with the Secretary.

Prince Naim, in reply, thanked the Secretary for the latter's expression of friendship and for all that the United States Government had done for Afghanistan. He said that Afghanistan, like other countries, needed badly the friendly cooperation and assistance of the United States. The United States Government, he concluded, had always shown sympathy with and understanding of his Government's problems. His Government in turn had been in the habit of always discussing these problems with the United States before talking about them with any other power.

144. Memorandum of a Conversation, Washington, October 14, 1959¹

SUBJECT

Visit of Prince Naim on the Vice President

PARTICIPANTS

The Vice President

His Royal Highness Sardar Mohammad Naim, Deputy Prime Minister and Foreign Minister, Afghanistan

His Excellency Mohammad Hashim Maiwandwal, Ambassador of Afghanistan to the U.S.

His Excellency Abdul Rahman Pazhwak, Ambassador of Afghanistan to the United Nations

G. Lewis Jones, Assistant Secretary, NEA

Prince Naim opened the conversation by expressing great pleasure in seeing the Vice President again. The people of Kabul still remembered the Vice President's visit.²

The Vice President said that he had very warm memories of his visit to Kabul, which was one of the cities that had most impressed him and Mrs. Nixon.

Prince Naim congratulated the Vice President on having had the "courage" to make his "pioneering" visit to the USSR.³ He said that he and all other Afghanis had followed the course of the visit with the greatest of interest and had been gratified by the followup visit to the United States by Mr. Khrushchev. Prince Naim said that there now seemed to be reason to hope guardedly that East-West tensions would be lessened. If so, the Vice President deserved great personal credit.

The Vice President said that everyone hoped the tensions would be lessened. The problem was to do this in the right manner without making false assumptions. He thought there was already some reason to believe that the attitude of the USSR towards the US was changed. Prince Naim agreed to this point and added that the attitude of Communist China was also changing. He said he had just come from that country and his conclusion was that if the United States can resolve its differences with the USSR this will strongly affect the foreign policy of the Chinese. He said that Chou En-lai had told him only a few weeks ago when speaking of Formosa that he (Chou) thought the Formosa problem could be settled without force.

¹ Source: Department of State, Central Files, 789.11/10-1459. Confidential. Drafted by Jones.

² Nixon visited Kabul, December 4-6, 1953; see *Foreign Relations, 1952-1954*, vol. XI, p. 1407.

³ Nixon made a good will trip to the Soviet Union, July 23-August 5.

Prince Naim, using familiar terms, then described Afghanistan's profound desire to retain its independence and the pressure upon the Afghan Government to do as much in the economic sphere to improve the standard of living of its people as the USSR was doing in its provinces north of Afghanistan.

The Vice President said that he could readily understand the necessity for development in Afghanistan. He thought that it was true throughout Asia that the people would like economic development aid *cum* independence. However, the need for economic development was so great in so many places that the Western world must face the fact that if they cannot have both, the backward peoples will take the economic aid and, if necessary, forego independence.

The interview closed on this note. Prince Naim was evidently delighted with his talk with the Vice President who took him into the Senate Chamber, showed him the desks, etc.⁴

⁴ The Department of State summarized Naim's conversations in Washington for the Embassy in Kabul in telegrams 262, October 16, and 277, October 21. (Department of State, Central Files, 789.11/10–1659 and 689.90D/10–2159)

145. Notes on the Meeting of the Afghanistan Action Group, Washington, October 14, 1959¹

PARTICIPANTS

From Department of State:
 NEA—G. Lewis Jones (Chairman)
 NEA—Parker T. Hart
 SOA—Frederic P. Bartlett
 SOA—Leon B. Poullada
 SOA—Dudley C. Bostwick
 U/MSC—William L. Baxter
 U/CEA—J. Robert Fluker
 CU—Saxton Bradford
 CU—Robert H. Thayer

From Department of Defense:
 DOD (ISA)—J. N. Irwin

From International Cooperation Administration:
 Leonard J. Saccio
 O/NESA—Stellan C. Wollmar
 O/NESA—Leland Barrows
 O/NESA—Harold Schwartz
 O/NESA—Edward Pierce

From Development Loan Fund:
 Hart Perry

¹ Source: Department of State, SOA Files: Lot 64 D 577, Afghanistan Action Group. Secret; Limit Distribution. Drafted by Bostwick. This was the first meeting of the Afghanistan Action Group, which met on an irregular basis. Minutes of the meetings of the Action Group, which were primarily devoted to technical problems relating to the U.S. aid program in Afghanistan, are *ibid*.

Mr. Jones opened the meeting by stating that the Afghan Action Group had been organized in response to a request from Undersecretary Dillon who had recently designated Afghanistan as an "emergency area." The Department was seriously concerned regarding the penetration of the USSR into Afghanistan and Under Secretary Dillon felt that a high level review of the progress and problems of United States policy regarding Afghanistan is desirable. He stated that the recommendations of the Action Group regarding our Afghanistan policies will be seriously regarded.

Mr. Jones further explained that Prince Naim, Deputy Prime Minister of Afghanistan who has been in Washington on an unofficial visit, has stated to our officials, including the President, that Afghanistan not only is a free country but will vigorously defend its independence. However, the great strides in economic development which are being made in South Central Russia directly across the Oxus River from Afghanistan renders it essential that Afghanistan itself experience enhanced economic well being. Prince Naim also had expressed the opinion that while Afghanistan is a great admirer of the United States, our assistance has been "too little and too slow."

Mr. Saccio inquired whether we had ever refused military and economic aid to Afghanistan. Mr. Poullada explained that as long ago as 1951 the Afghans had approached us for military aid but wanted us to guarantee their frontiers and intervene in the Pushtunistan dispute. These conditions were not acceptable to the U.S. [*1½ lines of source text not declassified*] We had not extended economic aid (other than Export-Import Bank loans and TCA) until 1956 although the Afghans had been requesting U.S. aid since 1952.

The Afghanistan situation, Mr. Jones continued, loomed rather large in the recent CENTO meetings and both Iran and Pakistan expressed the view that Soviet penetration, particularly in the military sphere posed a serious threat.² The Shah of Iran, for example, has a real fear of the Soviet air fields being built in Afghanistan and sees the Iranian flank being turned. Pakistan is experiencing similar apprehension and its fears are accentuated by the artificial, but nevertheless real, Pushtunistan dispute with Afghanistan.

Mr. Jones pointed out, however, that the CENTO powers, including Iran, agreed that Afghanistan was not yet lost to the free world in the same sense as China, and the British and the Turks also agreed with the U.S. position that the Afghans have no present intention of attacking Iran.

² The Seventh Session of the Ministerial Council of CENTO was held in Washington, October 7-9.

It would appear, the Assistant Secretary further stated, that while Afghanistan's political independence is important to free world interests it would not appear desirable nor feasible for the United States to attempt to compete in Afghanistan with the Soviets in outright economic warfare. At the same time the United States should not withdraw from the country but rather should maintain its presence and reaffirm its interest in order to give Afghanistan an alternative to Soviet domination. Mr. Jones recalled that when Prince Naim stressed the desire and goal of Afghanistan to maintain its independence, the President had replied that "the United States will be in your corner."

Mr. Barrows explained that United States aid to Afghanistan is mainly on a grant basis and concentrated in several large projects such as the Helmand Valley, the Regional Transit Project with Afghanistan (which included the construction of a highway between Kabul and Kandahar) and major assistance in civil aviation and education. The Afghans have been disappointed in some of these projects particularly in the development of the Helmand Valley. This situation has been complicated by the inability of the Government of Afghanistan to carry its share of the load particularly in the field of providing skilled labor and by the refusal of the Government to sign a contract with Morrison-Knudsen for additional development of the Valley for which grant funds previously were allocated by ICA. Mr. Wollmar expressed the opinion that the Government of Afghanistan may be on dead center regarding the Helmand development due to "more sinister reasons." He stated that the ICA Mission in Kabul feels that the Russians may be asked to take over the major development work in the Valley. Mr. Bartlett stated the opinion that the RGA is pursuing what appears to be unrealistic tactics as regards the Helmand project in order to build up a case for requesting further delay in the repayment of the outstanding Export-Import Bank loans which were furnished in the total amount of \$39.5 million in 1950-1954. The Group agreed that at the next meeting the following specific problems should be discussed:

1. Should the United States withdraw from Helmand Valley Development Project and take the risk that the USSR might take over?
2. The problem of Prime Minister Daud's request for a flood control dam in the lower Helmand Valley should be placed on the agenda.
3. An analysis should be made of whether a nominal increase of \$1.2 million in the funding for the Kabul-Torkham Road, which has already been approved, is sufficient to meet our objectives and avoid further unfavorable comparisons with Russian road work.
4. Likewise the Group should study the problem of the increasing shortage of local currencies available in Afghanistan for support of U.S. development projects.

146. Telegram From the Embassy in Afghanistan to the Department of State¹

Kabul, October 25, 1959—3 p.m.

354. Am in general pleased results of meeting with Daud yesterday on subject Pak-Afghan relations.

It was obvious from choice his advisors present that he thought I had come on subject his request for assistance in lower Helmand Valley. Therefore disposed of subject by saying sorry did not have instructions as yet on that subject.² Said I assumed delay had been caused by desire have general talks with Prince Naim in Washington and I should be getting word now before too long. He said he had some reports from Naim but was looking forward his return in order find out what transpired in greater detail.

Told him I had come on an old problem but one which appeared more serious as time passed, i.e., the Pushtunistan dispute. Said fact that our President and Secretary had raised subject with Prince Naim indicated importance we attach to seeing this problem settled promptly if at all possible. Told him I knew of the emotions surrounding problem, and realized that compromise and settlement could not come easily. I then developed at some length, with the qualification that I knew these were delicate subjects and I could speak only as friendly observer not as well qualified as he to judge, the following two themes: (A) that regardless of determination and intention of RGA, it would be impossible maintain an even balance on issues of neutrality and independence for Afghanistan if relations with other Moslem states in the area, particularly Pakistan, could not be vastly improved; and (B) if not solved soon, dispute appeared susceptible of getting much worse and perhaps unsolvable. There could be little doubt but that the continuation of this dispute, as many others between nations of the free world, is considered advantageous by the Russians, and I feared the RGA would find foreign hands meddling in matter against their will.

Said I believed there was at present a sincere desire on part of Pakistan to see issue settled. If this true, certainly time seemed ripe and better than heretofore because of strength of Ayub. They had often mentioned progress while other governments were in power in Pakistan and lack of progress with Ayub. I personally thought Ayub could be looked upon as asset, rather than otherwise, as no single figure in previous governments had had power to settle such an issue.

¹ Source: Department of State, Central Files, 689.90D/10-2559. Secret; Priority. Repeated to Karachi.

² See Document 149.

Given present situation in Pakistan and his own unquestioned personal strength in Afghanistan, the prospects for settlement did not appear discouraging if two of them could meet and discuss all aspects of problem frankly. Ended my presentation saying we wished very much to be of assistance on this problem and asked, in effect, what could we do.

Daud said he appreciated my frank expression and was pleased to hear an American official voice many of his own fears. To my surprise he did not take exception to any portion of themes A and B described above. He then said (most significant of his remarks) "If this question remains unsolved we will inevitably be drawn to one side" (as between East and West). He said they had always been ready and still are ready for settlement on basis that was just and honorable.

He said he quite willing and eager to have such meeting provided there was basis to hope that something could be accomplished. He felt that if there was anything new [to] be discussed, it should be known on both sides before a public meeting as otherwise meeting with no results might even make matters worse. It is for this reason that he had asked Naim, if the Pakistanis were willing to receive him, to stop briefly in Karachi before returning to Kabul. If these talks produce any hope, as far as he was concerned, he and Ayub could meet in either country.

He said he told Pakistan Ambassador also that causes of present tensions had more foundation than only propaganda from both sides. He then described one current border problem in which tribesmen from Mangal tribe in Paktia region had been lured across border to Peshawar and had received money and ammunition from officials there. This was disturbing and they would deal with it in whatever way necessary. He had dispatched some troops and would [garble] if necessary. He had told Rahman this sort of thing hardly created best atmosphere for high-level talks.

Told Daud my government would be greatly pleased that he had offered to have Naim stop in Karachi and of our hope that he would find it possible take initiative again to arrange meeting with Ayub after Naim returns here.

Comment: The big stumbling block has been doubt in Pakistan and indeed in our own minds, as to whether Daud really wants settlement. While cannot, of course, be certain, I left this meeting with impression that the odds are somewhat better than even that he does. I propose to tell Pakistan Ambassador of this qualified opinion and would not mind it being passed along in Karachi if it can conceivably do any good. From here it appears that it would be helpful if Ayub would discuss problem with Naim as frankly as he would with Daud. I doubt if further progress can be made on arranging Daud–Ayub meeting unless there is some private understanding in advance. Should

think, for instance, that Naim should be told of possibility of renaming Pakistan border district and that Ayub should say he prepared to do this if the RGA wishes. If this were done, Daud would know that he could take something away from public meeting that would appear to be concession on part of Pakistan. It would appear that an opportunity might be wasted if he merely tells Naim that he is going to do it anyway.

Daud and Ayub have many characteristics in common and I would expect them to get along well in private talks (much better than Naim and Ayub). Since Naim quite high-ranking, perhaps Ayub could see merit after Naim's visit to Pakistan to offer to come himself to Kabul as next step.

Byroade

147. **Telegram From the Embassy in Pakistan to the Department of State**¹

Karachi, October 31, 1959—5 p.m.

1027. Assistant Secretary Jones and I called on President Ayub October 30 in Rawalpindi.² Virtually entire 50-minute conversation before luncheon was devoted to Afghanistan with President giving no indication wish change subject. Jones' recent visit Kabul and discussions Ambassador Byroade provided excellent basis for what seemed useful exploration.

After Jones and I had mentioned deep concern over trend in Afghanistan and expressed belief that improvement depended in large measure upon Pakistani statesmanship, President gave us his evaluation of situation. Briefly, he felt Afghanistan had embarked on policy which almost inevitably would lead to total dependence upon Soviet Union and ultimate takeover there by Communists—perhaps quite soon. [2 lines of source text not declassified] He not at all convinced that Daud would be willing adopt policies which would provide adequate resistance Soviet penetration. However, Daud with all of his limitations was only honest and determined leader in royal family. Trouble

¹ Source: Department of State, Central Files, 689.90D/10-3159. Secret; Noforn. Repeated to Kabul, Tehran, and Ankara.

² Jones was in Pakistan, October 26-29 and October 31-November 4, as part of a trip to South Asia. He was in Afghanistan, October 29-31. Documentation on his trip is *ibid.*, 110.15-HO.

was he was bull-headed and stupid; his thinking was not subject influence of King or Naim. He found Daud policies re Pushtoonistan difficult to understand; latter knew Pakistan could never yield any vestige of its sovereign rights and yet he permitted this to inflame relations between two countries and open way for increasing Soviet influence. Already Afghanistan's economy was so tied to USSR that within two years there would possibly be no alternative to greater and perhaps complete subservience to USSR. He discoursed at length on the military and security implications of this for Pakistan and India. He felt best course would be for US, if it would agree, to give Afghanistan "shock treatment" of informing leaders that if their policies remained unchanged US would withdraw all support. He understood from previous talks however that we unprepared pursue this course.

Jones and I responded generally along lines taken by Department officials in Washington discussions with Qadir³ and in CENTO meetings. In substance we emphasized [*2½ lines of source text not declassified*] that only prospect for reversing present trend which would have ultimately grave consequences for free world would be for Pakistan to take initiative in improving relations with Afghanistan as that latter might take measures and pursue policies vis-à-vis USSR which might safeguard its independence. Means must be found for improving economic relations between the two countries and of permitting Pushtoonistan issue to be shelved or pushed into background. Jones gave effective outline various conversations with Naim in Washington and both of us expressed view now would be most propitious moment for Pakistan to follow up by inviting him to come here. Jones fortunately could also speak of general attitude of Afghans and of Byroade's opinion that Afghans, including Daud, were susceptible to some friendly gestures which might lead to basic improvement. We therefore inquired whether President did not think it good idea to send cordial invitation to Naim and meanwhile to consider various gestures particularly in economic field which might be made. We also mentioned possibility of some formula along lines of Khattak plan which might give Afghans an out if it developed they were willing to use one in reducing or eliminating Pushtoonistan propaganda. Perhaps later meeting with Daud could be arranged.

President at first seemed only slightly receptive but conversation then took encouraging trend as he spoke of various possibilities. He again set forth his misgivings re Khattak plan (Embtel 523)⁴ but repeated that implementation basic democracies scheme provided op-

³ See Document 141.

⁴ In telegram 523, August 29, Rountree reported that Ayub objected to the Khattak plan because it would allow the Afghans a direct interest in the matter of the Pushtun-speaking tribes in Pakistan and might subsequently give them the right to have a voice in tribal affairs. (Department of State, Central Files, 690D.91/8-2959)

portunity if desirable for elected representatives among Pushtus to make appropriate statement on their status in Pakistan. This could be done as early as late December. He thought Pakistan could be very helpful to Afghanistan in various economic matters. He said parenthetically that his [*less than 1 line of source text not declassified*] sources indicated Soviets were greatly disturbed over Naim's visit to US and probably were disturbed over his stopover in Iran. He hoped that this report was well-founded and expressed hope that Embassy Kabul would lose no opportunity maintain close touch with royal family particularly Naim. He had in mind not only Ambassador Byroade personally but officers at other levels as well. He was pleased to learn of Ambassador Byroade's recently extended contacts with royal family.

After meeting in the President's office, we later joined him for lunch at his residence. Before departing, President said that he had given further thought to our talks and had decided to instruct Foreign Minister to send invitation for Naim to come to Karachi "of course without any advance political commitment." He then asked Qadir, who was present at luncheon to join him and in Jones' presence instructed Foreign Minister to dispatch invitation through Daud. After some discussion it was decided that Naim would be given alternative dates between November 1 and 9, before President's departure for Iran, or after November 23 following President's return from Turkey. He and Qadir agreed that President should meet with Naim personally. Jones and I are somewhat encouraged by this development and by our general conversation with President who obviously had subject much on his mind (see Embtel 970).⁵ While Afghanistan and Pakistan are far way from rapprochement we think our observation to effect Pakistan big enough and secure enough to be generous and comprehending towards their Afghan "poor relations" may have evoked favorable response—particularly in context of this being of service to "Western allies." After all, Pakistan is geographically only practical alternative to USSR as route outside world. If invitation is extended and accepted in proper spirit it is not impossible that some progress can be made. On other hand we must recognize that if talks go badly relations between the two countries could further deteriorate. In event Naim accepts, I plan continue urge GOP assume constructive attitude and earnestly endeavor formulate suggestions which might find favorable response assuming Afghans are really interested in improving relations.

Rountree

⁵ Dated October 24. (Department of State, Central Files, 790D.11/10-2459)

148. Telegram From the Embassy in Afghanistan to the Department of State¹

Kabul, November 18, 1959—6 p.m.

432. Depcirtel 149.² Regret delay in furnishing this reply to Depcirtel 149. This post omitted in original distribution that message and it arrived here some weeks late. Delay since that time at least partially due to continuing search by senior officials of all agencies at this post for new measures that might be effective in situation we face. We apologize in advance for length this message but hope Department will find it timely and generally useful over and beyond budgetary purposes.

In any objective analysis adequacy our national policy and its effectiveness as regards Afghanistan, we must admit we are not doing as well as we would like and that in some respects trend has been to advantage USSR and disadvantage US. This is true so far fortunately only in things practical and material and not to any dangerous extent in ideological thinking. There is almost no tendency here to incline toward a choice of Soviet way of life over Western systems and culture. Afghans retain a devout passion for their religion, are dignified individualists, and retain a friendly hospitality towards Americans and things Western.

I believe we are confronted however with a developing situation inimical to US interests and one which demands attention at high levels of our government.

The alternatives we face are simple. One would be to try to outbid the Soviets here at every turn regardless of cost or effort. This would be a policy of reaction, i.e., matching or aping each Soviet initiative and is unbecoming to the leader of the free world. This can most certainly be disregarded [*discarded?*] without serious consideration. Another would be to cut our losses and leave this country standing alone with Russia. This might be cheaper in short run but certainly most costly in the end. Furthermore I think it not befitting the posture of United States that we admit defeat and go home, and in this case is not warranted in any event. Remaining alternative is to follow our present policy and strive to compete effectively with USSR in seeking influence in Afghanistan but on timetable of our making and on ground of our choosing. This course will leave us with sufficient position to be in a posture to capitalize on such developments in future as

¹ Source: Department of State, Central Files, 120.171/11-1859. Secret. Pouched to Karachi, Tehran, Moscow, London, and Ankara.

² In circular telegram 149, August 19, the Department requested succinct, overall analyses of U.S. objectives and the role of U.S. programs in achieving them in various countries. (*Ibid.*, 120.171/8-1959)

may come our way. This so clearly the course we should follow that I feel argumentation in support thereof need not be included in any cable message.

Under present circumstances, do not feel we should be openly critical of RGA for accepting Soviet assistance. I believe any other government faced with all factors bearing on situation as it exists here today would accept Soviet assistance. Our concern and criticism can only be that they have accepted too much too fast. There is some hope, however, that if we can continue assistance (and attention!) at our present or slightly increased level over the next few years a more even balance will be achieved. The capability of Afghan personnel involved in national planning is markedly superior than it was even two years ago. There is realization now I believe of the limitations of local resources and skilled labor which in last analysis will determine how fast this country can develop. As this realization grows the tendency to attempt to accept all they can get from both sides will diminish, and RGA will realize it can be more selective in choosing source of assistance. I believe that probability is that their choice would remain with West and particularly with US.

[2½ lines of source text not declassified] The dangers here inimical to US interests involve not primarily Afghanistan as a nation, nor the once militarily strategic space it occupies, but possibilities of Soviet exploitation this area for purposes (1) convincing other under-developed areas of the benefits of close association with the USSR in contrast to friendship with the US; (2) wreaking severe subversive damage to our ally Pakistan through instrumentality Pushtunistan issue, driving wedge between CENTO allies, shaking Pakistan and Iranian leadership, and seriously jeopardizing stability entire sub-continent. The leaders of this country are determined to cast aside, with sense of urgency that prompts rashness, any remnants its historic role as underdeveloped buffer state. There is deep bitterness on this subject as they feel they were deliberately kept underdeveloped by British because of this policy concept. They feel, even in face of our considerable assistance here, that we would really like to retain this traditional British policy if that were possible. In other words we help them reluctantly and only because we feel we must to counterbalance Russian assistance. They see our interest therefore as being not their country per se or its people but in their country as pawn in East-West relations. There is, we must admit to ourselves, some truth in their analysis.

In past four years, notably last year, USSR has materially improved its position through attraction Afghan trade and transit and through economic and military aid programs now totalling nearly \$300 million. Year and a half ago USSR also began cultural offensive which quickening in tempo. Starting with step-up in cultural program-

ming and exchanges high and middle officials and cultural leaders, USSR now believed putting increasing pressure on RGA to gain entrance education field heretofore reserved to US. Soviets recently inaugurated with fanfare [of?] news Soviet friendship and cultural relations society in USSR and sent "team" tourists to Afghanistan, apparently a cultural survey party.

Soviet behavior so far ingratiating, flattering, correct, effective. They clearly giving their Afghan program high priority as evidenced by quantity funds and personnel devoted to it, especially by per capita comparison with programs in other Asian countries. They have initiated vigorous struggle for influence in Afghanistan, which being waged in context "peaceful co-existence".

We must face fact that West is not well organized for type of competition we face here. Khrushchev has stated plainly that the primary importance of trade is political rather than economic. The USSR is able to manipulate the flow of trade effectively by giving government direction as to items to be bought and sold, the prices therefor, and the cost of shipment. (It is not a rash prediction that if present trend continues, as much as 90 percent of the external trade of this country will be to or through Russia in a period of two years rather than to the West through Pakistan.) Western countries, with uncontrolled economies, are obviously unable to compete with a competitor using these rules of the game. Whether we can do more than we are now doing to even up this balance without harm to principles very basic to our systems of government I do not know. Am inclined to think, however, that if as much importance could be given in the West to this subject on global basis as was given to the impetus which led to creation of NATO and Western military organization, that considerably more could be done in cooperation with our allies than is now being done.

RGA so far inclined accept Soviet favors because of (1) compulsion toward progress and development, (2) feeling US and West unable or unwilling provide either sufficient aid for Afghan development or adequate politico-military commitments to Afghan security, (3) some confusion, and doubt, as to whether US, which far away, or USSR, which menacingly near, will in end win cold war or possible real war, and (4) fear and animus vis-à-vis Pakistan revolving primarily around Pushtunistan issue.

Since we unwilling make economic political and military commitments necessary to win decisively kind of competition Soviets have initiated, US objectives are and must be cast in minimal or defensive terms. Overall US objective here is, therefore, preservation Afghanistan's independence but, in view its vulnerability to Soviets and in view US disinclination underwrite its security, most we ask is policy genuine neutrality. We assume that, despite its recklessness, present

Afghan regime does not desire become totally dependent on USSR, that it is stable and relatively competent and that it has responsibility to determine at what point Soviet penetration threatens country's political integrity and to undertake policies to restrain such penetration. At same time, US, as leader free world, has responsibility determine at what point increasing Soviet influence in Afghanistan threatens interests of US and free world; to ensure that Afghanistan is not lost by default; and to provide an alternative to Soviet satellization which would be practically available if and when it is determined by RGA or US that critical point has been reached.

Therefore, we seek demonstrate to Afghans our genuine interest in their development and independence, and show them that US and free world could be effective source support against future Soviet pressure and a logical means reducing Afghans [garble].

Apart from inherent geographical disadvantages, principal limitations and hindrances to achievement these objectives in prevailing circumstances are: (1) Our disinclination, based on our essentially defensive strategy, to pay more than minimal costs—in terms money, commitment and risk—in pursuit these objectives; e.g., our consistent rejection over period of years following World War II of Afghan requests for military assistance and defensive commitments, and our decision not attempt outbid Soviets in economic war here. (2) Apparent divergence between US assessment and policies and those of allies Pakistan and Iran, who tend espouse "tough line" toward Afghanistan. Latter factor, particularly as it bears on Pakistan-Afghan relations, is core of local problem. Afghans, with euphoric self-confidence in their ability play great powers off against one another, and with a feeling that they too small to be any factor in final East-West struggle, clearly feel themselves to be [on] sidelines and much less threatened by great powers than by regional and internal forces, and Pakistan is in their eyes their major present threat. This feeling is genuine and is inspired by Pakistan [*less than 1 line of source text not declassified*] activities and occasional sabre-rattling. Other hand, Pakistanis have certainly been provoked by Afghans, particularly by latter's reckless intemperate pursuit of Pushtunistan campaign. As result Afghan-Pakistan frictions drive former toward USSR and keep alive explosive issues that may one day be used by Soviets with disastrous effect on Pakistan and regional security.

Accordingly, primary objective our policy here is to eliminate or at least assuage these frictions and tensions. This is primarily a political venture which deserves more attention. It also has economic aspects as in case transit agreement and project, which should continue have priority status. Another effort which might conduce to Pakistan-Afghan détente would be encouragement of joint Pakistan-Afghan approach to problem of [*less than 1 line of source text not declassified*]

developing and bringing under administration tribes on both sides frontier since until stable administrative control substituted for volatile irresponsible tribal disorder, Durand Line will remain an unstable frontier and the tribal areas will remain undeveloped liabilities to both countries. Advance promise of US aid to such joint venture might enhance prospects it would be undertaken and encourage political détente.

Although Pakistan and US fundamental interests in Afghan problem appear to coincide I cannot say we have succeeded in establishing common purpose and approach [with?] GOP (similar but less acute problem exists between Afghanistan and Iran and similar divergence prevails between US and Iranian approaches). I believe it most urgent that we undertake energetic efforts to bring Pakistan and Iranian policies into line with ours, and jointly undertake efforts eliminate Afghan fears and frictions with free world Moslem neighbors. If this can be done then priority considerations should be given to linking Afghanistan into regional communications, trade and similar projects as well as to joint development projects in tribal areas suggested above and perhaps in lower Helmand Valley.

Apart from this essentially regional operation, our principal tool of policy is our aid program. Under present conditions I cannot conscientiously recommend that we attempt to reverse the trend here by undertaking new, large scale projects involving greatly increased expenditure on our part. Believe such projects should be considered only in connection with regional development which would become possible if current disputes between this country and its Moslem neighbors were settled. In that event I believe we should be prepared to consider carefully every project that would tend to further interdependence between them. We should also be prepared to consider the interjection of our assistance on regional development projects if at any time it appears that such a move could serve as a catalyst to bring the parties to final agreement.

[Here follow the remaining seven pages of this cable, in which Byroade offered his specific and detailed recommendations for continued U.S. assistance programs in Afghanistan.]

Byroade

149. Telegram From the Department of State to the Embassy in Afghanistan¹

Washington, November 25, 1959—4:52 p.m.

390. For Ambassador Byroade. Kabul 435² repeated Tehran 46 and Deptel 236 to Kabul³ repeated Tehran 980. After thorough discussion among Department and other interested agencies of Daud's request for US assistance in development lower Helmand, following points developed and conclusion reached:

A) *Adverse to US Participation*

1) Present evidence would indicate project would be costly and, from strictly economic view, would probably never pay for itself.

2) In absence Afghan-Iranian agreement unilateral action by USG (which in effect would result in giving RGA power adversely control flow of water into Iran) would both further complicate Iranian-Afghan relations and cause strong resentment in Iran against US.

3) It could be argued that, if Daud asked for and received Soviet assistance in carrying out project, it would tend further alienate Iran from USSR and would involve Russians in uneconomic project of low political visibility in remote area.

4) In general USG has avoided extending economic aid to projects involving international riparian problems unless agreement as to division of waters, etc., is first reached between countries involved. This has been case for instance in Indus valley.

5) Involvement of RGA's limited trained personnel and other resources in lower Helmand development might tend distract RGA from need to complete development of upper Helmand in which both USG and RGA heavy investment.

B) *In Favor of US Participation*

1) It would limit possibilities relatively massive Soviet presence becoming established in extreme southwest corner of Afghanistan.

2) Perhaps more importantly, if US aid could be used in such way as bring about Helmand settlement between Iran and Afghanistan, it would tend improve basic Iranian-Afghanistan relations.

¹ Source: Department of State, Central Files, 889.2614-Helmand/11-1959. Secret. Drafted by Bartlett and approved by Dillon. Also sent to Tehran for Ambassador Edward T. Wailes.

² In telegram 435, November 19, Byroade pointed out that it had been 8 weeks since he had received a formal and "urgent" request from Prime Minister Daud for U.S. assistance in the construction of a diversion dam and related projects in the lower Helmand Valley. (*Ibid.*, 889.2614-Helmand/11-1959)

³ In telegram 236, October 5, the Department reviewed the history of the Helmand Valley project and suggested that, in view of the Indus Waters precedent, the most effective approach for settling the Helmand problem might be to utilize the IBRD. (*Ibid.*, 889.2614-Helmand/9-3059)

C) *Conclusion*—In spite weight of above adverse factors USG would not wish neglect any opportunity improve Afghanistan's relations with Iran and thus with free world. Accordingly you are authorized at appropriate level inform government to which accredited that USG prepared consider sympathetically assistance both to Afghanistan and to Iran in surveying development needs of lower Helmand and subsequently in examining possibilities of furthering those projects which might be indicated as desirable by such surveys, but only if two governments first reach at least provisional agreement regarding use of Helmand waters. You also authorized state that USG assistance under these circumstances would be determined by needs and priorities for other projects in both countries as well, of course as by availability of funds.

For Kabul—In event above reply proves unacceptable to RGA, employment Afghan Construction Unit forces suggested in penultimate paragraph Deptel 236 might usefully be studied to meet problem of discontented farmers.

Ambassador may wish use this occasion to urge RGA move forward on upper Helmand development for which funds made available by US almost year and half ago remain unutilized due RGA's not having negotiated necessary construction contracts.⁴

Herter

⁴ Byroade met with Daud on December 4 and presented to him the Department of State position on the Helmand Valley project as outlined in telegram 390. He reported on this conversation in telegram 498 from Kabul, December 5. Daud responded that he considered Byroade's answer "a negative one" and expressed his disappointment. "He felt our experts knew that position of Afghanistan had been throughout more reasonable than that of Iran," the Ambassador reported. "He wished say quite frankly and as a friend that by failing help on this project we were making his position much more difficult. He has so much wished this help from Americans." The Prime Minister, at the end of the conversation, asked Byroade if the United States could reconsider its position. (*Ibid.*, 889.2614–Helmand/12–559)

150. Editorial Note

On December 3, President Eisenhower left Washington to begin a world tour which took him to 11 countries within 3 weeks. The President visited both Pakistan and Afghanistan during this trip. He arrived in Pakistan on December 7 for a 2-day visit. The following day, he talked with President Ayub Khan about a number of matters, including Afghanistan; see Documents 374–377. During the course of

their talk, Ayub handed Eisenhower an aide-mémoire on Afghanistan. (Enclosure to despatch 509 from Karachi, December 9; Department of State, Central Files, 689.90D/12-959)

President Eisenhower then traveled to Afghanistan on December 9. During his 6-hour stay in Kabul, the President met briefly with Afghan officials; see *infra*.

**151. Memorandum of a Conversation, Kabul, December 9, 1959,
11 a.m.¹**

US/MC/17

PARTICIPANTS

United States
The President
Ambassador Byroade
Ambassador Murphy
Major John Eisenhower
Mr. James Hagerty
Brig. General Goodpaster
Mr. Rossow, Embassy
Mr. Cleo Shook, Interpreter

Afghanistan
His Majesty Mohammed Zahir Shah,
King of Afghanistan
Prince Daud, Prime Minister of
Afghanistan
Ali Mohammed, First Deputy Prime
Minister
Prince Naim, Foreign Minister
Ambassador Maiwandwal,
Afghanistan's Ambassador to
Washington
Nur Ahmed Etemadi, Director General
Political Affairs, Royal Afghan
Foreign Ministry

SUBJECT

Afghan Relations with Neighboring Countries; Helmand Waters

The King stated that he was very pleased and grateful for the President's visit. He suggested that the enthusiastic reception that he had witnessed demonstrated that Afghan-American friendship had no bounds, not only as governments but as peoples. He said further that in a wider context the Government of Afghanistan was pleased with the entire trip that the President was making as a contribution to peace and understanding in international affairs. He said that his good-will

¹ Source: Department of State, Conference Files: Lot 64 D 560, CF 1521. Secret; Limited Distribution. Drafted by Robert Rossow, Jr. The source text indicates that the conversation took place at Chilstoon Palace. Documentation on the planning for Eisenhower's trip to Kabul is *ibid.*, Central File 711.11-EI.

was always with the President in his endeavors for peace; that all peoples gave him moral support; his blessings and prayers were with him.

The President explained his long desire to become acquainted with the countries to the east of Athens and that the purpose of his trip was to persuade the peoples of that area to understand that they have a community of interests. All of the nations of that area are based on civilizations built on a faith in God; they are threatened today and we want them to stand together in friendship, developing where necessary, and living together in peace and friendship. The President then asked the King if he had anything special he wished to bring up.

The King replied that there was mutual understanding on all of the points that the President mentioned; that with regard to them we have the same values and ideas. The preservation of our independence and our traditional and historical heritage will always be the foremost objective in our minds. These things we share. However, he added, the policy of his Government was one of neutrality, which had been explained many times by his Foreign Minister here and by his Ambassador in Washington.

The President replied that he agreed with the soundness of that policy, but that the only question was the difficulty in maintaining such a policy with a strong aggressive country on one border, and to the south, as he understood it, relations which were not good. He continued that he had indicated to the President of Pakistan that he understood relations between the two countries were not entirely happy and that he hoped something could be done. He said that any policy of neutrality in a situation such as that of Afghanistan must be assured by the support of friends, Pakistan, Iran, United States and, he hoped, India. He stressed that Afghanistan needed those friends in order to make its policy work but that he agreed the policy was correct.

The King replied that friendship with the United States, Turkey, Iran and Pakistan was indeed the great factor in insuring a policy of neutrality. His Government had tried to promote good relations all around its borders but it was true problems did exist with Pakistan and they had not been able to come to agreement on them.

The President reiterated that a country cannot maintain a policy of neutrality unless it has friends all the way around its borders. He said he was not urging Afghanistan to be an enemy of the USSR but that it needed friendship with *all* its neighbors. He understood that the Afghans found the Pakistanis unreasonable from time to time but stressed that they could not maintain a policy of neutrality, being friendly on one side and unfriendly on the other. He said that he did

not advocate friendship at the cost of principle, but a strong effort must be made in negotiations to establish friendship between the two nations; the important thing is to make a start.

The King replied that his Government understood its policy of neutrality in the same context and did want closer relations with Pakistan. He then asked Foreign Minister Naim to explain further.

The President interjected that in Ankara and in Karachi he had said exactly the same thing, that in both places great interest and concern had been expressed regarding relations with Afghanistan. He said President Bayar² had asked that he convey good wishes and hopes for ever stronger friendship. Also, everything President Ayub had told him gave the impression of an honest and strong concern to increase standards of living, to improve relations with India, which he hoped would join with him against the menace that seemed to be threatening from the north. He felt that all of these countries have common problems.

Foreign Minister Naim reiterated the Afghan Government's policy of peace and the solution of differences through negotiation and understanding but said that they had serious differences with Iran and Pakistan.

Regarding Pakistan, Foreign Minister Naim said that before the new Pakistani regime came to power considerable progress had been made in improving the atmosphere and establishing greater understanding between the two countries. When the new regime came in, however, everything went wrong and thereafter they heard no expression of any desire to discuss the problems between them. This was the situation when he was last in Washington, but since then it has changed somewhat. The Pakistanis have indicated they were willing to discuss the differences and the Afghans had agreed. Prime Minister Daud had suggested that Foreign Minister Naim accept an invitation extended by Pakistani Foreign Minister Qadir to go to Karachi on his return from his recent trip to arrange for a higher level meeting. Unfortunately nothing further was heard from the Pakistanis and no arrangements had been made upon his return. Since then, however, an invitation had been extended to him and he had accepted it in adherence to their principle of being always ready to discuss problems and to seek thus the solution of their differences. Unfortunately even after the invitation was received the Pakistani press was distorting the alleged basis of the prospective discussions and was creating an unfriendly atmosphere that would not help the discussions. He said, however, there was no other way for Pakistan and Afghanistan to solve their differences for they had so much in common and could not afford to be apart.

² President Celâl Bayar of Turkey.

Foreign Minister Naim then turned to relations with Iran stating that their only problem was purely technical and not political and that it had to do with the Helmand waters. He said that the Afghan attitude and the technical aspects of this problem were well known to the United States, that exhaustive technical studies had been carried out under the auspices of the State Department (he was here referring to the Neutral Commission). He said that the Government of Afghanistan based its position on the recommendations set forth in the report drafted on the basis of these studies. All these matters were discussed with the Iranians in Washington some years ago but they had broken off the talks. He said that there was later an exchange of messages between the Shah of Iran and the King of Afghanistan in one of which about a year ago the King had offered even more water than was allotted to Iran on the basis of right, purely as a gesture of good will, but it was not accepted or appreciated by the Iranians. He said the Iranians had later sent an emissary to discuss the matter further but that when he had arrived he changed the agreed basis of discussion and wanted to talk on subjects not pertinent to the issue. When he himself had seen the Shah recently he had pointed out again that the King of Afghanistan had gone beyond the Neutral Commission's recommendation and had offered even more water but again he said the matter was not appreciated. He stressed that they wanted to solve this problem but they expected others to take the same attitude; no solution could be found unilaterally and it required good will on the other side as well.

He then returned to the question of relations with Pakistan, saying that these were more serious. For one thing they had deep roots in history and in the mentality and emotions of the people; anything that went wrong in Pushtun Pakistan reacted strongly here, causing bitterness, tenseness and difficulties in their relations. His Government wanted to avoid such difficulties and wanted to make contact to discuss and to create an atmosphere conducive to a solution.

The President then asked: (1) If there were any objection to his telling the Pakistanis and the Shah of Iran what the Afghan attitude was as based on the present talks, and (2) whether World Bank with all its technical facilities might not be helpful in solving the technical and engineering problems connected with the Waters dispute as in the case of the Canal Waters dispute between India and Pakistan.

The King replied that American efforts to improve Afghan-Pakistani relations were not new; they were very much appreciated, and any effort that could be made would be welcome. Regarding the President's second question, he felt it was more difficult to answer and asked Naim to comment.

Naim explained that the situation between India and Pakistan over the canal waters was quite different from that between Iran and Afghanistan regarding the Helmand Waters. He said that in the former case the problem was one of building new facilities and developing new sources of water and that the World Bank had been helpful in providing financial support for these ventures. In the case of the Helmand Waters, however, there was no question of building new canals or finding new sources for financial aid. The question was rather one of traditional water rights and these had been thoroughly studied. The panel set up by the State Department (i.e., the Neutral Commission) had gone into the matter thoroughly and its report was crystal clear. There was no question and no problem of new financing on either side. Naim mentioned also that he had told the Shah in Tehran it was expected that when the development of the Helmand Valley was complete there would be more control and more reserves of water and he had promised to give Iran more from these supplies, again as a matter of good will, but he said they did not appreciate even this offer. The King also interjected to mention the hardship suffered by two and a half million people who, in the Lower Helmand area, do not have adequate water with which to farm, as result of floods, etc. He said it was very important that these waters be put to beneficial human uses. He said, however, he wanted to reiterate again the good will of Afghanistan and its desire to solve its problems with justice and good will.

The President replied that nothing was easy these days and that he was not a mediator but that he would certainly do what he could.³

³ Regarding the President's impressions of Afghanistan, see Document 153.

152. Telegram From the Embassy in India to the Department of State¹

New Delhi, December 10, 1959—8 p.m.

2072. From Murphy. During the course of the motor trip of one hour from Begram Airport to Kabul accompanying Prime Minister Daud, there was opportunity for a quiet discussion. I found Daud friendly and well disposed but highly sensitive regarding his policy of

¹ Source: Department of State, Central Files, 861.0089/12-1059. Confidential; Priority. Repeated to Kabul.

accepting military and economic assistance from the Soviet Union, as well as on the general subject of Afghan relations with Pakistan and Iran. For him the keynote seemed to be the abject poverty of the Afghan population and his determination to raise their standard of living, accepting help wherever he could get it. I made a few mild references to experiences of other limitrophe areas receiving Soviet "aid" and mentioned anxiety prevailing regarding construction of "strategic highway network". As to the dangers flowing from acceptance of aid from the Soviet Union and the presence of Soviet technicians, this is a risk he is prepared to take. In discussing the construction of a highway system he said that it was all well and good for the West to talk about the danger of strategic highways. As far as he is concerned, however, historically Great Britain was never willing to help Afghanistan with either a rail or highway system, and was always ready to leave his country in isolation and poverty. This led to quite a dissertation by him about the wrongs suffered by Afghanistan at the hands of the British, including the destruction of Kabul on two occasions. He described with evident satisfaction the defeat of the last British expeditionary force with the loss of all hands.

In Karachi Ayub had referred to Daud as "dumb". After this rather emotional discourse by Daud, that is not my impression. His viewpoint may be parochial but it is based on stubborn notions of Afghan interest and tinged with strong historical prejudice. He manifested deep distrust of the Pakistanis. His state of mind regarding the Russians seems to add up to a calculation on his part of the risk involved with the conclusion on his part that the risk is worthwhile taking. He spoke of Soviet cooperative attitude regarding transit of exports by rail via the Soviet Union as compared to Pakistan's lack of cooperation. He left no doubt of firm determination to exploit present Russian willingness to assist Afghanistan's economy and to build up a military force. At the same time he evinced most friendly attitude toward the United States and implied hopefulness that we would continue to cooperate with Afghan.

Bunker

153. Editorial Note

President Eisenhower met with President Franco of Spain in Madrid on December 22 and reviewed for him his good will trip. The President discussed Afghanistan as follows:

"The President then spoke of his brief visit to Afghanistan. He said it was the poorest country he has seen anywhere. Two or three families seemed to rule the country, making it an oligarchy rather than an absolute monarchy. The King, for example, has two relatives who are Royal Highnesses, and are in addition, Prime Minister and Foreign Minister respectively. Understandably, the ruling group is very anxious for outside financial help and a lot of this is coming to them from the Soviet Union. Afghanistan is a crossroads of the East, and the Soviets can and do pinpoint their aid to try to get control of the country. The President recalled that he had come in on an airfield built by the Soviets (it was not a good airfield like the one at Torrejon) and was escorted in by Soviet MIG's manned by Afghanistan pilots and on the field there were Soviet bombers given to Afghanistan.

"The Afghans say that they can remain independent and that their purpose is to remain neutral. The President doesn't see how this can be done, for while the royal family may continue to stay on in power, the Soviets are gradually bringing roads through and around the country and through other construction are also getting more and more of a grip on the nation and in time the President thought it would be likely to become Soviet dominated. However, there is one cause for hope and that was that almost every citizen of Kabul, a large city, was out on the street when the President arrived to greet him, pushing forward eagerly to show the warmth of their welcome. This seemed to imply that the people wanted to stay independent." (Memorandum of conversation by William N. Fraleigh; Department of State, Conference Files: Lot 64 D 560, CF 1521)

At a meeting with Congressional leaders on January 11, Eisenhower reported on his good will visit, including the following observations on Afghanistan:

"The President [*less than 1 line of source text not declassified*] mentioned the Soviet influence in this country and the poverty. He mentioned the disadvantage of the fact that the government is run as a family business. He expressed doubt as to the realism of their agreement to accept extensive aid of the Soviets without being influenced politically. He recognized, however, that the Afghans are a tough and independent people." (Eisenhower Library, Whitman File, DDE Diaries)

Eisenhower recalled his trip to Afghanistan in his memoir, *The White House Years: Waging Peace, 1956-1961* (Garden City, NY, 1965), pages 497-499.

154. Telegram From the Embassy in Afghanistan to the Department of State¹

Kabul, January 6, 1960—9 a.m.

612. For Secretary from Byroade. The delays, red tape, and frustrations of attempting to get foreign assistance construction projects in Afghan completed or, in fact, even started, under our present system are intolerable. Examples are plentiful, but feel basic premise stated in sentence above is well enough recognized in Washington so that this message need not include long or detailed chronology of lack of results.

I came to this post determined to make a constructive contribution on speeding up our work here, and I feel certain that Wollmar, head of USOM/A, did the same. I do not feel that I have been able to make much contribution because the total system under which we operate seems not responsive such personal efforts. Taking projects one by one it seems impossible at any particular time to ferret out with certainty each bottleneck and to attempt correction. One usually finds that at least half of the pieces of the jigsaw puzzle are in Washington and sometimes it seems we reach a situation where neither we here, nor presumably those in Washington, can do much about putting the whole puzzle together.

Leaving aside the damage of this type of performance to our overall implementation of policy, believe situation is being created which can result in extremely critical Congress with resultant ill effects, not only on future assistance to this country, but possibly on our total foreign assistance program.

I have at times mentioned possibility of utilizing in some manner the Corps of Engineers in order to get better results on construction projects here. My latest probes in this direction contained in Embtel 432.² This would remove our construction projects from ICA contract procedures, relieve USOM/A here of endless paper work and communications with ICA/W on these projects which occupies disproportionate share of key officials time, leave them in position do expert job on all other (and important) phases of ICA work here, and, I believe, considerably speed things up. Certainly it would appear this would be the result if decision were made at high enough level that the Corps be made responsible for crash program to correct our unfortunate reputation on these projects. To be absolutely certain of desirability of such a drastic change, however, one must know current capabilities of Corps in place such as this. Unless there is complete disagreement in Wash-

¹ Source: Department of State, Central Files, 789.5–MSP/1–660. Confidential.

² Document 148.

ington to thought that civil works portion of Corps might be used, recommend Chief of Engineers be requested send a high-ranking team here for discussion with us on the spot re road and airport construction. This would have advantage also of any independent survey of our current problems and difficulties which might prove highly useful in itself.

While choice of personnel for survey party must of course be left to Chief of Engineers, best possible combination would be General Weary Wilson and Colonel Fred Clarke. Clarke recently returned to States after serving as district engineer in Karachi and would know of current capabilities of considerably speeding up our projects. Final decision should then be taken quickly and during present period when no construction contracts are up for bidding.

The change in responsibilities proposed herein would require approval of RGA. With proper explanation I believe they would welcome change, and be encouraged thereby, but of course cannot be certain. Would therefore like approval discuss possibility without commitment with Prince Naim, as being my own idea which I willing, if he agrees, to propose to Washington. This should be done before survey party departs Washington.

Byroade

155. Editorial Note

On January 27, the proposals of Ambassador Byroade for expediting construction projects in Afghanistan were discussed briefly at a luncheon meeting of the Operations Coordinating Board. The following points were raised:

“During a discussion of recent proposals by Ambassador Byroade to expedite construction projects in Afghanistan, Mr. Merchant said he was satisfied that ICA is treating these problems on a priority basis. He noted that a team of US military engineers would be proceeding shortly to Afghanistan to survey problem projects. General understanding was expressed by the members of procedural difficulties mentioned by Mr. Riddleberger (ICA) as imposed by Congress.” (Department of State, S/S-OCB Files: Lot 61 D 385, Afghanistan)

156. Telegram From the Embassy in Pakistan to the Department of State¹

Karachi, February 11, 1960—3 p.m.

1880. Foreign Minister Qadir and I discussed Pakistan-Afghan relations yesterday in course his three-day visit Karachi. Discussion covered much ground previously reported.

Qadir said that while he had thought Naim talks might not produce positive results, he had assumed situation would be no worse after they held.² He had been pleased with atmosphere, although regretted that Naim did not discuss "Pushtunistan" frankly so that matter could be fully aired. He said several openings had deliberately been given by President and himself for discussion economic matters and particularly railway spur but Naim had not responded, merely saying he hoped existing agreements would be implemented. He was invited to set forth any instances in which they were not being implemented, and said he not aware of any particular instances as he had not been briefed.

Qadir said GOP had been greatly disappointed following talks by sudden step-up in hostile Afghan propaganda. Qadir had always been of opinion that great restraint on part of Pakistanis and "gentlemanly attitude" was best course to follow with respect to Afghan propaganda, although officials with greater experience in Afghan had urged view this attitude would be taken as sign of weakness and that Afghans would thus exacerbate situation. He had not [*now?*] reluctantly come to conclusion that they were right and that GOP should not remain so indifferent to GOA propaganda. While GOP was determined continue exercise restraint, it had permitted press at its own initiative to report developments in Afghan without imposing martial law restrictions, although it had not stimulated any press stories. Particular care had been exercised in past to avoid use Pakistani radio to respond to Radio Kabul "lies". Instructions had recently been issued which would relax restrictions so that Radio Pakistan may now reply to misleading Afghan radio propaganda about Pakistan. Implication was that broadcasts might now go beyond simple rejoinder and explanations and might respond in kind to Afghan broadcasts against Pakistan.

I outlined again our views of Afghan situation including view that it was mistake for Pakistan to engage in propaganda war with RGA. I felt policies implied by what Foreign Minister had told me would

¹ Source: Department of State, Central Files, 689.90D/2-1160. Secret. Repeated to Kabul.

² Reference is to the talks held between Foreign Minister Naim and President Ayub on January 11 in Rawalpindi. [3 lines of text not declassified]

further impair Afghan-Pakistan relations and thus impair Afghan's relation with free world. Obviously our common objective should be to endeavor bring about situation in which Afghan relied less rather than more upon Soviet Union, and there was strong possibility that "tough" Pakistani attitude would have opposite effect. I did not see clearly what Pakistan expected to achieve; one might assume purpose of strong policy to be undermining of Afghan regime, but I felt sure this was not objective unless it was expected that something better from free world's point of view would emerge. Regardless of one's evaluation of RGA policies, I thought we were agreed that present regime would [not?] deliberately submit to Communist takeover in Afgan. If anything should happen to that regime, it seemed most likely that what would emerge would be worse than at present. Qadir agreed with this and said it was not purpose to "undermine" present regime. Only objective was to let RGA officials know that such propaganda can be two-way street and that if they hit they will be hit back. It was earnestly hoped that when they recognized this they would be far more willing than at present to maintain sensible relationship with Pakistan, which would be warmly reciprocated.

Qadir said he fully appreciated that our evaluation of best course to pursue was different than GOP's. Our objective, however, was the same. Perhaps it was best in any event for US to pursue "soft and understanding approach" while Pakistan followed what it considered for itself to be more effective policies in circumstances. Combination of the two might in fact be excellent.

Wollmar, USOM Director Afghan, and I spoke briefly with President Ayub during intermission opening ICA all mission conference. Ayub followed line similar Qadir. Only addition was he expressed hope US in its attitude would not show undue concern to Afghans, particularly in manner which would imply "weakness." He said Afghans respected only firmness and determination, and American influence, extremely important in situation, would greatly diminish if Afghans should think we weak. Re rail spur, he said he hoped arrangements could be made to proceed, but he thought would be unwise for US to give Afghans impression we more anxious than RGA to complete project. Afghan appreciation would be nil if they could say it "forced" on them.

In talks with both Ayub and Qadir, there were clear indications they not averse construction rail link. In fact both indicated disappointment Naim did not pursue matter at Rawalpindi. Both expressed willingness despite unfriendly relationship now existing proceed with specific economic projects which might contribute to improvement.

GOP position, while perhaps understandable under provocation Afghan propaganda following Naim visit, seems to us likely at best to lead to dead-end situation of constantly increasing crescendo of propa-

ganda and counter-propaganda in which both governments will become prisoners their own statements. While Embassy will continue its efforts persuade GOP leaders of wisdom modifying their present approach, it seems unlikely any change will be made at least until they have tested reaction. Embassy constantly considering possible course of action which might redress situation, and I hope in near future be able provide suggestions.

Rountree

157. Telegram From the Embassy in Afghanistan to the Embassy in Pakistan¹

Kabul, February 14, 1960—11 a.m.

263. For Rountree. Greatly appreciate your frank talk with Qadir (Karachi telegram 235)² which serves to bring things more into the open where at least there should be better chance of handling situation, if it can in fact be handled.

I have grave doubts, which believe you share, regarding Qadir's justification for divergence in Pakistan and US courses of action, particularly in view US-Pakistan alliance. Apparently Qadir believes our identical objectives justify divergent means. The point is, however, that in eyes of RGA we cannot really have different policies, and that we will be associated with Pakistan policy whatever it is, even if we should go to extremes of denying it. The RGA considers Pakistan, and particularly Ayub so close to us that it would never occur to them that we were not in step.

At the present time we have concrete case in point. I have learned from several reliable sources that Naim and others in RGA inclined to blame US and me for unhappy denouement of Rawalpindi talks. They believe Ayub's planned tactics and remarks must have been fully known to you and me prior to Naim's trip. They therefore inclined suspect they were led up garden path and that we did this with foreknowledge that Pakistan position would harden after talks. It is reported to me that high RGA officials, and particularly Naim feel my role was dictated by US government instructions designed to let RGA know where we stand on issues between Afghanistan and Pakistan.

¹ Source: Department of State, Central Files, 689.90D/2-1460. Confidential. Repeated to the Department of State. The source text is the Department of State copy.

² Printed as telegram 1880 from Karachi, *supra*.

Even now they consider hardening Pakistani position and propaganda could not happen without at least tacit approval. It is of course not unusual that third nations, particularly neutrals, tend to over-emphasize our influence over our allies but wanted you to know that this particularly the case here. It also understandable that Ayub and Qadir would not now fully appreciate this point.

While my personal relations remain unchanged, believe official position Embassy perhaps somewhat blunted by my role in encouraging recent talks. Am more concerned, however, that recent events have added justification to Daud's position in ruling circles, and this is a time when had hoped in Daud's coming absence to capitalize on apparent growing divergence of views between Daud and Naim. It very unlikely now that there will be much chance along these lines. There seems little doubt that Naim, who Ayub apparently had wished to strengthen here, is now weaker and this undoubtedly adds to his resentment. Depending on your estimate of situation in Pakistan you may wish use this as case in point to prove that policy of blindly hitting back may produce results contrary to GOP's own desires.

Byroade

158. Telegram From the Department of State to the Embassy in Pakistan¹

Washington, February 29, 1960—6:42 p.m.

2124. For Ambassador Rountree:

At earliest appropriate time and in phraseology you consider most likely to be effective you should inform President Ayub substantially as follows. In doing so you may wish leave Aide-Mémoire drawing upon following points:

1. USG concerned over recent propaganda exchange between Pakistan and Afghanistan. Recognize Afghan Pushtunistan propaganda has continued unabated for prolonged period and, until recently, Pakistan has shown commendable restraint. USG nevertheless convinced propaganda exchanges will imperil Pak-Afghan relations and make accommodation more difficult. USG making similar representations re propaganda to RGA.

¹ Source: Department of State, Central Files, 689.90D/2-2960. Secret; Priority. Drafted by Poullada and approved by G. Lewis Jones. Also sent to Kabul, Ankara, Tehran, and London and repeated to New Delhi and Moscow.

2. USG considers recent Pakistan Radio attacks on Afghan Royal Family particularly dangerous. USG believes they will tend strengthen extremist elements in ruling group and result in situation which Soviets could exploit.

3. USG seriously concerned over apparent divergence U.S. and GOP policies toward Afghanistan. USG firmly believes "tough" policy by GOP will only drive Afghans more firmly into Soviet fold. USG recalls that previous attempt in 1955 by GOP to bring Afghans to heel through economic pressure failed and was followed by Afghan acceptance large scale Soviet economic and military aid, including new transit route through USSR which greatly increased Afghan dependence on Soviets. GOP and USG thereafter cooperated in effort give RGA sense of security and in programs such as Transit Project to prevent excessive dependence by RGA on Soviets. Recognize results this policy not entirely satisfactory but some progress was being made in achieving East-West balance in Afghanistan. GOP decision abandon this moderate approach could, in short time, nullify five years patient cooperative labor by GOP and USG.

4. USG hopes above assessment will cause GOP carefully restudy policy towards Afghanistan in order channel U.S. and Pakistan efforts along established constructive cooperative lines. Suggest GOP may wish follow-up discussions with Turks who have in past favored restraint in dealing with Afghanistan (Ankara's 1352 to Department² and Karachi's 2005 to Department,³ 71 to Ankara). As first step, USG hopes GOP as the much stronger power could consider offering RGA ninety day propaganda truce during which discussions for permanent cessation could be held.

For Ambassador Byroade:

You should in manner you deem most appropriate make oral presentation to P.M. Daud and at your discretion leave Aide-Mémoire drawing on following:

1. As friend both countries, USG concerned that press and radio in Afghanistan and Pakistan continue inflame passions and increase tensions between both countries.

2. USG does not condone, much less approve, attacks by Pakistan Radio on Royal Family. RGA should realize its Pushtunistan broadcasts very offensive to GOP and it only human nature to wish to strike back. Should be noted GOP has in past restrained its press and radio during period Afghan propaganda continued unabated.

² Dated December 9. (*Ibid.*, 789.00/12-959)

³ In telegram 2005, February 27, Ambassador Rountree reported on several conversations with Turkish officials, including Melih Esenbel, Secretary General of the Turkish Foreign Office. Rountree noted that the Turkish position on the Pushtunistan dispute was similar to the U.S. position and the Turks intended to urge the Pakistanis to adopt a moderate attitude toward Afghanistan. (*Ibid.*, 689.90D/2-2760)

3. USG does not take sides or assess blame either side. Important point is that propaganda war will probably lead to further deterioration Pak-Afghan relations with resulting isolation Afghanistan from its Muslim neighbor and free world. Should recall that 1955 "flag incident" which had serious consequences developed from inflammatory radio broadcasts of type similar those heard now.

4. USG making similar representations re propaganda to GOP. USG hopes RGA will take initiative, suggesting to GOP both countries agree on 90 day radio and press truce during which discussions could lead more permanent agreement.

For Ankara, Teheran, and London:

Inform respective Foreign Offices substance above démarches and request support USG initiative if approached by GOP or RGA. Turks particularly might be helpful since they have previously advocated restrained approach to Afghan problem and more specifically in view talks between Esenbel and Ambassador Rountree (Karachi's telegram to Department 2005 repeated Ankara 71). Inquire whether they would be willing offer services to RGA and GOP to arrange suggested 90 day truce.⁴

Dillon

⁴ In telegram 836 from Kabul, March 6, Byroade reported that he met with Daud that day and presented him with an aide-mémoire. Daud reacted negatively to the U.S. suggestion for a propaganda truce, emphasizing that until Pakistan acknowledged that the Pushtunistan problem existed nothing could be accomplished. (*Ibid.*, 689.90D/3-660)

Rountree spoke with Ayub on March 5 and left an aide-mémoire with him. Ayub agreed with the U.S. suggestion for arranging a propaganda truce and repeated his government's willingness to cease all propaganda if Afghanistan agreed to do the same, either permanently or for 90 days. (Telegram 2069 from Karachi, March 6; 680.90D/3-660)

The Embassies in Ankara, London, and Tehran reported that the Governments of Turkey, the United Kingdom, and Iran would support the U.S. proposal. (Telegrams 1937 from Ankara, March 4; *ibid.*, 689.90D/3-460; telegram 4368 from London, March 7; *ibid.*, 689.90D/3-760; telegram 2075 from Tehran, March 10; *ibid.*, 689.90D/3-1060)

159. Editorial Note

Soviet Premier Nikita S. Khrushchev visited Afghanistan, March 2-5, as part of a trip which included visits to India, Burma, and Indonesia. A joint communiqué, signed by Khrushchev and Daud and issued on March 4, noted that "the two sides exchanged views on the destiny of the Pushtu people and expressed their agreement that the

application of the principle of self-determination on the basis of the United Nations Charter for settling this issue would be a reasonable way of easing tension and ensuring peace in the Middle East." The text of the communiqué is printed in R.I.I.A., *Documents on International Affairs, 1960* (New York, 1960), pages 483–486.

Both President Ayub and Foreign Minister Qadir criticized the joint communiqué. Qadir stated that Soviet support for Afghanistan's claims constituted "unwarranted" interference in Pakistan's affairs; Ayub commented that Afghanistan's claims were "without any legal foundation." (Telegram 2085 from Karachi; Department of State, Central Files, 689.90D/3–760; airgram G–254 from Karachi; *ibid.*, 689.90D/3–1060)

160. Telegram From the Embassy in Afghanistan to the Department of State¹

Kabul, March 8, 1960—8 p.m.

848. Have already reported that in my last conversation with Daud he made a plea for greater assistance from the US.² It seemed strange to me that he would use this occasion to do so, as I had called on him to leave the aide-mémoire regarding a propaganda truce and as visit was immediately following Khrushchev departure. It may be that he thought he would not see me again prior to my return from consultation,³ although it was apparent he had no immediate plans to leave Afghanistan for medical treatment. Daud's plea for continued and even greater assistance was impassioned, and he said he glad I had traveled much in this country and knew of its desperate needs.

Naim and Daud have now made same general plea as regards economic aid. Their greatest concern seems to be their inability to get either affirmative or negative answers to their requests. In this connection, while we may look upon list of projects orally presented by Naim in Washington as mere suggestions, it obvious Afghans consider they have made request upon US for these projects just as surely as if it had

¹ Source: Department of State, Central Files, 789.5–MSP/3–860. Confidential.

² Reference is presumably to telegram 836 from Kabul; see footnote 4, Document 158.

³ Byroade was scheduled to arrive in Washington on April 3 for consultations. Rountree was also scheduled to be in Washington for consultations; their visits were planned to overlap so they could discuss matters of mutual concern with Department officials.

been done in writing. Believe, therefore, after my return from Washington they should be given definite answers even though several of them will apparently be negative.

Daud's second point of significance is that we change our procedures if possible. What he wants is a commitment that we assume a portion of foreign assistance required under their second five-year plan. This would allow a better basis for planning and would accord Afghans treatment comparable to that we give India. If such over-all figures could be fixed, at least to the extent allowed by your legislative process, then subsequently projects could be chosen up to this over-all amount. He said if such procedures could be used, RGA would accept our advice as to whether any particular project for which they desired use our aid, was in our view uneconomical or otherwise unjustified.

Am aware this type approach difficult for us but admittedly recipient country does have better basis for planning if it can be done. Would appreciate any comments as to what devices towards this end have been worked out for India or other countries that might be applied to Afghanistan.

Byroade

161. Telegram From the Department of State to the Embassy in Afghanistan¹

Washington, March 16, 1960—6:10 p.m.

692. Pakistan Ambassador called on Lewis Jones March 14 to express concern trend Pak-Afghan relations.² Mentioned recent articles appearing in U.S. press which seem favor Afghan and Soviet line on Pushtunistan particularly question plebiscite.

Jones reviewed recent U.S. efforts to improve Pak-Afghan relations mentioning disappointing results Naim visit Rawalpindi and responses our proposal for 90-day propaganda truce. Stated it difficult see what further U.S. can now do to abate dispute.

¹ Source: Department of State, Central Files, 689.90D/3-1660. Confidential. Drafted by Poullada and approved by G. Lewis Jones. Also sent to Karachi and repeated to Ankara, Tehran, and London.

² A memorandum of this conversation, drafted by Poullada, is *ibid.*, 689.90D/3-1460.

Ambassador said his government at loss what steps could be taken to win over Afghans. Reviewed Pakistan efforts over past twelve years improve relations with Afghans through conciliation and economic concessions. Mentioned previous conversation with Jones in which latter had expressed our concern over recent Pakistan propaganda. Stated GOP appreciated our views but had reluctantly concluded could no longer permit Afghanistan propaganda remain unchallenged.

Ambassador then expressed great concern over recent Soviet support Afghanistan on Pushtunistan, particularly implications territorial claims against Pakistan. Suggested some statement of support for Pakistan from U.S. and other allies now called for. Mentioned specifically possibility raising this issue next SEATO council session with view obtaining forthright statement support for Pakistan. Recalled SEATO already on record recognizing Durand line as legal border Pakistan.³

Jones questioned usefulness further SEATO consideration this problem. Cautioned Ambassador against exacerbating what is essentially Pak-Afghan issue by projecting it into cold war controversy. Ambassador said he merely exploring possibilities but could not help contrast forthright support of Afghanistan by USSR with U.S. hesitancy support its ally, Pakistan.

For Ambassador Rountree and Byroade.

Department has been weighing what further U.S. initiative might be fruitful to ease Pak-Afghan tensions. Seems that neither country now in receptive mood for further U.S. overtures. Your comments appreciated as to effect complete cessation for time being further U.S. initiatives making clear to both parties that U.S. still prepared be helpful but only if they seek our advice or help. If you believe further U.S. action could be fruitful at this time, would appreciate your recommendations.⁴

Herter

³ On March 8, 1956, the SEATO Council issued a communiqué which stated that the SEATO member countries recognized the Durand Line as the international boundary between Pakistan and Afghanistan.

⁴ In telegram 2210, March 19, Rountree agreed that it would be best to refrain from taking any further initiative. (Department of State, Central Files, 689.90D/3-1960)

162. Telegram From the Embassy in Afghanistan to the Department of State¹

Kabul, March 21, 1960—3 p.m.

896. In reply Karachi's 2162 to Department² repeated information Kabul 274, this Embassy intended merely suggest that any strong renewed approach to RGA should be accompanied by simultaneous strong representation to Ayub. Far from having any intention of suggesting that GOP jeopardize its position on Pushtunistan, this Embassy's tentative suggestion above was made with view to seeking resolution on issue, in interest of Pakistan and regional stability, and in pursuance US policy objective which has stood fairly constant since at least 1954.

In response Deptel 692³ repeated Karachi 2262, would like to preface recommendations with review of Afghan position and situation as seen from here.

First this Embassy would like to submit that, whether GOP wants to admit it or not, genuine and practical issue exists over the status and welfare of the Pakistan Pushtuns. This is not in any way to suggest that Afghan position and claims are valid from legal point of view. It does suggest that history, culture, and circumstances this area such that it not unreasonable for Afghans to feel and maintain that they have special interest and concern this matter; indeed, limited Afghan interest in tribes south and east Durand Line admitted by British in supplementary letter to Anglo-Afghan treaty 1921. This Embassy satisfied that Afghan emotional involvement this issue largely genuine, and that while issue may have from time to time been used as political tool, and may have led to occasional pipe dreams of irridentism, basic Afghan motivation deeply held and generally sincere. Pakistan attempts ignore or deny existence of issue are not going to lead to resolution, and claims that this "stunt" are not only unjustified but exacerbate emotions and increase tensions.

This Embassy believes Afghan official statements as to conditions on which they will consider issue settled have been clear although all being great flexibility for Pakistan response. [*sic*] Daud and Naim have said repeatedly, publicly and in private to me and other ambassadors as well as to Ayub himself, that all they ask is that they be assured by Pakistan Pushtuns themselves that they are satisfied. At least until recently they have not insisted on plebiscite. (We do not know whether this position will be modified by recent Soviet support, but

¹ Source: Department of State, Central Files, 689.90D/3-2160. Secret; Priority. Repeated to Karachi, Tehran, Ankara, London, and Moscow.

² Dated March 14. (*Ibid.*, 689.90D/3-1460)

³ *Supra*.

we doubt it will be if some prospect of progress towards solution materializes.) Indeed they have stated they would accept simple statement of Pushtun leaders. They have left form of expression up to GOP, insisting only that it be genuine and in good faith. It would seem that this is a not too demanding position for RGA to take, and that the condition set forth could be fairly simply met by GOP, if its relations with its Pushtuns are what it claims, without risk of legalistic entrapment or injury to pride. (Pakistan Ambassador here admits all this but says they will not try such a simple way out as they don't trust RGA leaders.) It will be recalled that in earlier phases, this position coupled also with dissolution one unit and restitution provincial status frontier area. It noteworthy that this demand dropped in later positions. The fact that they now offer such a simple solution is one of reasons we feel that despite their emotions, they judge issue has become burden rather than asset and would like to see it settled.

Thirdly, this Embassy believes that repeated Afghan statements expressing desire for settlement should as matter of practical politics and to test their position, be accepted at face value. Naim himself took initiative in February 1959 (Embassy despatch 331, February 16, 1959)⁴ to seek settlement on easy terms described above, and reiterated desire for such settlement again in late spring and fall last year. He restated same position before, during and after Pindi talks. Indeed it is implicit in his most recent reply to Qadir (Embtel 873).⁵ There are several reasons to believe, as reported Embtel 926, May 8, 1959,⁶ and subsequently, that RGA finding Pushtunistan campaign burden and that it would like to get off hook if face-saving formula can be found.

Fourthly, this Embassy continues to be satisfied that despite large-scale Soviet economic and military aid, and long-term increase trade and transit traffic to and through USSR, Afghans are far from pro-Communist and Afghanistan is still far from being Soviet dominated or penetrated. Also relations with US in recent months have been favorable considering all circumstances. Although Embassy still lacks details, it is clear enough from information at hand that Afghanistan leaders stood up to Khrushchev in his recent visit, and it appears that they may have been somewhat soured by his pressure tactics. It natural that RGA should accept and indeed seek such international support on issue as it can elicit; indeed it was entirely predictable and virtually inevitable reaction to recent Pakistan behavior. This is not to say there is no element of danger in Soviet intrusion this issue, especially if Soviets seek to run away with it, or to turn it into instrument of

⁴ Not printed. (Department of State, Central Files, 689.90D/2-1659)

⁵ Dated March 16. (*Ibid.*, 689.90D/3-1659)

⁶ See footnote 3, Document 128.

subversion. Latter likelihood not presently visible, however, and this Embassy does not believe that Soviet endorsement basically alters at present Afghanistan international outlook or internal integrity.

Fifthly, this Embassy believes that major present danger lies in the possibility that Pakistan attitude will push RGA into greater and greater reliance on Soviet support and protection to point where Afghanistan may indeed lose its independence. When the tribal fear and anger of the Afghanistani is fully roused he is capable of extremely rash and indeed suicidal behavior. If RGA begins to feel that Pakistan assaults on royal family succeeding, and begins to feel even more isolated from rest of world, it might well turn to Soviet for all-out support regardless of consequences. How Pakistanis can maintain that tough policy will rather bring Afghanistan to heel instead of driving them to Soviet is difficult to understand in face of clear evidence of Afghanistan reactions to tough Pakistan attitudes over recent years.

Sixthly, we question here that Ayub has in fact accepted US truce suggestion which asks him, as it did RGA to take initiative in matter. His Ambassador here is still taking line nothing can be done unless RGA comes up with something more specific. Furthermore his Foreign Minister made reckless and intemperate statement calling for plebiscite in Afghanistan, itself a stunt which could have unfortunate ramifications.

In sum, this Embassy believes that RGA sincerity should be tested as regards a settlement of this issue and that it has repeatedly stated easy conditions on which it would drop matter. Embassy believes these conditions minimum necessary for face-saving and that it not realistic to expect RGA go any further.

Embassy believes if Ayub could be induced elicit genuine statement of loyalty from Pak Pushtun leaders, through Loe Jirgah or whatever device he wants, and even better if he would accompany this with provincial realignment and creation of Pukhtunwha, this issue might be settled once and for all. It will not work, however, if he takes these steps without discussion and alone in grudging sullenness, but only if he adopts posture of trust and constructive and generous effort toward settlement. This Embassy does not see how such an effort would jeopardize GOP legalistically or any other way. If it does not succeed efforts still worth making since GOP would have improved its position and RGA's position would be more clearly defined.

It is of course for Department, with Rountree's advice, to judge whether this analysis is correct, and whether or not Ayub can be so influenced. If he cannot, then I believe further US or Turkish initiative would be fruitless and should not be undertaken. It remains however, in our national interest to keep Soviets out of this strategic territory, whether we receive collaboration of Pakistan to that end or not. It is therefore important that RGA not be allowed to feel isolated or aban-

done except by Soviet Union. To forestall this, cessation of our initiative in seeking settlement might have to be accompanied with public statement disassociating ourselves from and deploring Pakistan propaganda and subversive attacks on Afghanistan royal family, and reiterating our interest in continued Afghanistan independence.

Byroade

163. Telegram From the Embassy in Pakistan to the Department of State¹

Karachi, March 22, 1960—5 p.m.

2235. Embtel 2210² regarding current Pakistani-Afghan relations may not have reached Department prior dispatch Deptel 2622 to Ankara³ which provides guidance regarding possible CENTO statement on Pushtunistan issue.

While recognizing considerations which lead Department exercise caution in supporting Pakistan, believe I should make clear my concern that Pakistani resentment could seriously damage our relations.

There several recent indications GOP leaders feel they cannot depend upon US on this issue to extent they believe they entitled, and comparison being widely drawn between all-out Soviet support nations friendly to them, regardless of merits of case, and lack of such support on part Western powers to its friend and ally. [*less than 1 line of source text not declassified*] Embassy officers have information to effect Foreign Office particularly resents our "impartial attitude", including aide-mémoire which I left with President Ayub March 5.⁴ While not yet mentioned to us here, Jones-Ahmed conversation March 14 also pertinent.⁵

¹ Source: Department of State, Central Files, 689.90D/3-2260. Secret; Niact. Repeated to Ankara, Kabul, and London.

² See footnote 4, Document 161.

³ In telegram 2622, March 21, the Department outlined its position in the Pushtunistan dispute for possible use at the upcoming CENTO Council meeting, scheduled to open in Tehran on April 27. The Department explained that the U.S. position regarding Pushtunistan was that it was a bilateral issue between Pakistan and Afghanistan, and that any statement by CENTO placing it on record as supporting the Pakistani side of the dispute could turn this localized dispute into an "inflamed cold war controversy." (Department of State, Central Files, 378.752/3-1760)

⁴ See footnote 4, Document 158.

⁵ See Document 161.

London's telegram 4579 to Department⁶ indicates British, like other diplomatic representatives here, have been impressed with strength of Pakistani feeling their friends are not supporting them. [3 lines of source text not declassified]

My recommendation Embtel 2210 that US refrain for time being from taking further initiative with Pakistanis was based upon feeling, which has been further strengthened within past few days, that GOP would strongly resent any new "impartial" approach at this time.

With reference Deptel 2622 to Ankara, if we should make point suggested to effect we would agree to statement provided it "refrains from taking sides on Pushtunistan dispute", Pakistanis would see their worst fears realized and their friends abandoning them. Among other considerations they would doubtless believe that a position even weaker than that taken by SEATO in 1956 would result in Afghans becoming more extreme in their demands regarding Pushtunistan. Because of Khrushchev's statement and Soviet Ambassador's performance, and in context present situation, neutrality to extent indicated might cut across our own commitment and support for Durand Line.

I am thus concerned that position outlined Deptel 2622 will produce strongly adverse reaction on part GOP. While I cannot at present visualize any formula which on one hand had no adverse effect on Afghans and on other hand meet reasonable Pakistani requests, believe Department should be aware of likely Pakistani attitude and possibility GOP will use this issue test depth US support Pakistan. At minimum it seems to me that we should support CENTO statement along lines Pakistan requests, namely condemnation Soviets for attempting exploit local dispute without regard for merit of case (Tehran's 61⁷ repeated Department 2155).

Rountree

⁶ Dated March 21. (Department of State, Central Files, 689.90D/3-2160)

⁷ Dated March 17. (*Ibid.*, 378.752/3-1760)

164. Editorial Note

On April 14, the Embassy in Karachi transmitted a 24-page despatch to the Department of State, entitled "Pushtunistan: An Acute Phase of a Perennial Problem." A brief summary of the despatch, which preceded the main text, reads as follows:

"Summary

"There are two main parts to the so-called Pushtunistan Problem. One is the endogenous demand for Pushtunistan emanating from within the tribal area and which seems to be simply a desire for the formation of a Pushtu-speaking administrative Division or Province, within Pakistan. The second is the exogenous demand, made by Afghanistan and backed by the USSR, that the Pushtu-speaking peoples in the tribal areas of Pakistan should be given the right of 'self-determination'. This view is predicated on Afghanistan's current non-recognition of the Durand Line agreements and on the claim that Pakistan does not hold suzerainty over the tribal areas.

"Afghanistan, prior to the recent Daud-Khrushchev communiqué, had indicated a willingness to drop the issue if Pushtu-speaking tribal leaders issued statements that they were satisfied in Pakistan. Pakistan rejected this proposal as being too vague and as containing a trap which would undermine its legal stand that its border extends up to the Durand Line and that the question was an internal matter.

"The virulent propaganda war which both sides have waged on the issue since the failure of the Ayub-Naim talks in January, 1960 has been exploited by the USSR, which has reiterated its support of Afghanistan on the issue, and which apparently has sought to use the Pushtunistan issue as a means of fishing in troubled waters, and of pursuing its own propaganda aims and policy objectives.

"The United States has so far attempted to avoid becoming embroiled in the issue in order not to jeopardize our delicate relations with Afghanistan, and not to engage in a major cold war dispute with the USSR on the issue. At the same time US silence on the issue has tended to strain somewhat our position in Pakistan. However, US policy in the area and that of its allies is based on recognition of the Durand Line as the international boundary between Pakistan and Afghanistan. While the US may wish not to strain relations with Afghanistan by taking a legalistic position on the question, it is equally vital to protect our basic legal position in order to avoid alienating Pakistan, encouraging further Afghan demands, and inviting the USSR to pursue the Pushtunistan issue in a more aggressive manner." (Despatch 932 from Karachi; Department of State, Central Files, 790D.00/4-1460)

165. Memorandum From the Operations Coordinator (O'Connor) to the Assistant Secretary of State for Near Eastern and South Asian Affairs (Jones)¹

Washington, April 20, 1960.

For your information or action, there is quoted below an excerpt from the preliminary and informal notes of M/OP on the OCB meeting of April 20:

"Briefings by Ambassadors Byroade and Rountree

"At the invitation of the OCB, Ambassadors Byroade and Rountree discussed operating problems in Afghanistan and Pakistan. Ambassador Byroade opened the discussion by citing the extensive Soviet efforts in Afghanistan. He noted Afghanistan offered many possibilities for Soviet penetration and said the USSR was making the most of these advantages. He said he did not believe Afghanistan was already lost to the West and that he believed US security interests in Afghanistan were worth a struggle. He then spoke of the Afghan-Pakistan Pushtunistan dispute. He observed this dispute has become extremely serious and has an important bearing on our position in Afghanistan. Another important problem was the extent of the Western commitment to assist Afghanistan in reaching the goals of the second five-year plan. Ambassador Byroade noted US operations in Afghanistan could be improved, particularly with regard to fulfilling those commitments already undertaken. He said it was important to build up Afghanistan's confidence in Western interest and support. Ambassador Byroade, in opening his remarks, had used the term 'an economic Korea' in referring to the situation in Afghanistan. In closing, he said he felt the time had come for the US to decide to what lengths we were willing to go in meeting the Soviet challenge there.

"Ambassador Rountree spoke of the achievements of the Ayub regime in Pakistan. He noted the Pakistanis work with the US as partners and allies. In his discussion of the Pushtunistan problem, Ambassador Rountree said the Pakistani position appeared to be that, since a soft line toward Afghanistan appeared not to produce the desired results, the Pakistanis, by countering the virulent Afghan propaganda in kind, expected to force Afghanistan to let up agitating the Pushtunistan problem. Nonetheless, the Pakistanis assure us they

¹ Source: Department of State, S/S-OCB Files: Lot 61 D 385, Afghanistan. Secret. Drafted by Frank V. Ortiz, Jr.

are willing to stop their propaganda campaign if they are sure the Afghans would do likewise. Ambassador Rountree was not certain the US could play a useful role in the dispute at this juncture.

"In response to various questions by the Board, Ambassadors Byroade and Rountree spoke about the orientation of the Afghan army, the Pakistani interest in a CENTO command structure, the personal animosity between Ayub and Daud, the difficulties of establishing fruitful contacts between the Pakistanis and the Afghans, and Pakistani sensibilities to admitting the existence of a Pushtunistan problem in which the Afghans had any legitimate interest. There was also a brief discussion of US press coverage of Afghanistan, the US and Soviet road building programs, and the orientation and flow of Afghanistan's trade. In response to a question from Mr. Saccio (ICA), Mr. Byroade said he believed the US could not assume too much more in the way of big projects in Afghanistan.

Jeremiah J. O'Connor

166. Memorandum of a Conversation Between the President and the Ambassador to Afghanistan (Byroade), White House, Washington, April 23, 1960¹

SUBJECT

Call by Ambassador Byroade on the President

I called on the President, 9:20 a.m., on April 23. I first conveyed greetings and best wishes from His Majesty, King Zahir, to the President. After a brief introductory and non-official conversation, I told the President I would like to mention two or three things to him if he had the time. He asked me to go ahead.

I told the President I was most concerned at our continuing failure to do a good job overseas on construction projects in connection with our foreign aid program. I felt, in many cases, we had assumed commitments which we were not able to carry out effectively under our present organizational set-up. I told him of the report of a recent Corps of Engineers' study on methods and procedures being used in Afghanistan, and how that report brought out the divergence in the methods used by ICA and the Corps overseas. I said that I felt the present

¹ Source: Eisenhower Library, Project Clean Up, Afghanistan. Confidential; Limit Distribution. Drafted by Byroade on May 2.

system of trying to let all contracts, and amendments thereto, here in Washington had proven itself entirely unworkable. I said I was also of the opinion that ICA could not obtain qualified personnel to supervise their own construction projects.

I reminded the President of our discussion of over a year ago on this same subject,² in which I had tentatively suggested that all major construction work overseas be performed by the Corps of Engineers. I was even more certain now than at that time that such a major shift should be made. I had discussed the possibility with Mr. Riddleberger and with Mr. Dillon, and was raising the subject with him with Mr. Dillon's approval. I ended this presentation by saying I hoped he would support such a shift if it could be worked out as being feasible by all concerned.

The President spoke with knowledge and feeling on the general subject. He said he was tired of hearing of complaints of waste, mistakes, and delays in this program. He hoped such a solution as I had proposed might prove to be practical. He thought Mr. Dillon should call a meeting with Mr. Riddleberger and the Chief of Engineers as soon as possible to try to work out the details. He told me of the major speech he plans to make on May 2³ and spoke with some feeling about the attitude of appropriation committees on the Hill. He also referred to certain Congressmen who spend all of their time trying to find mistakes overseas which can be used against the administration in Congress. I told him that I thought the recommendation I had made, if accepted within the Executive Branch and then cleared openly on the Hill, would reduce Congressional criticism of ICA. The President said again to go ahead and see if the matter could be worked out.

I explained the general situation in Afghanistan as being sort of an "economic Korea". I felt the Soviets had selected certain nations in the underdeveloped areas to test the advantages they could gain through economic assistance and so-called economic competition. I believe that, among other things, they were endeavoring to find out just how far the United States would go in this type of warfare—both in terms of material resources and moral courage. Of all these countries, conditions in Afghanistan were probably most favorable to the Soviets. I felt that there was a real need for a long-range commitment from the West to that country, but realized this might not be possible at the present time. I told the President I planned to explore this further with the proper officials before leaving Washington.

² Not further identified.

³ Reference is to the President's speech on the Mutual Security Program, delivered on May 2; for text, see Department of State *Bulletin*, May 23, 1960, p. 811.

The third and last subject I mentioned briefly was the deteriorating situation between Pakistan and Afghanistan over the so-called "Pushtunistan" dispute. I said the merits of the issue were far too complicated to attempt any detailed discussion but wanted him to know I thought the situation most serious. Indeed, I did not believe Afghanistan could remain neutral, or perhaps even independent, if their relations with Pakistan continue to deteriorate. I said I felt Ayub was doing a very good job on internal matters and on relations with India. He was, as well, a recognized good friend of the United States. I felt, however, he was making a major mistake in the handling of the Afghanistan program and that the "tough line" he was pursuing could only drive Afghanistan closer toward the Soviets. The President asked if Ambassador Rountree and I could not together come up with some remedy to the present situation. I told him that we were both in Washington for this purpose, but that so far we had not found any acceptable new approach that we might make. I told him, however, that we would continue to work on the problem as it was too serious to ignore. The President said he hoped that would be the case and expressed his concern over the general situation. He hoped that the Department of State, with our help, would be able to keep the matter from getting any worse and eventually to be able to ease the tensions over this problem.⁴

⁴ On April 25, the President spoke with Ambassador Rountree about the Pushtunistan dispute, among other matters. Rountree indicated that he was not hopeful that there could be an early solution to the problem. "He felt there might be a possibility, however, of arriving at some modus vivendi by which the virulence of the propaganda campaign on both sides could be reduced. The possibility of the Pakistan Government unilaterally re-establishing some political or geographical entity for the Pushtu-speaking peoples was mentioned. The President again emphasized the desirability of finding some means of improving the situation." (Memorandum of conversation by Rountree; Eisenhower Library, Whitman File, DDE Diaries)

**167. Memorandum of a Conversation, Department of State,
Washington, May 13, 1960¹**

SUBJECT

Afghanistan: (1) Foreign Aid Construction Projects; (2) Long Term Commitment on Foreign Aid for Afghanistan

¹ Source: Department of State, Central Files, 789.5–MSP/5–1360. Secret. Drafted by Byroade on May 17.

PARTICIPANTS

Acting Secretary Dillon

ICA—Mr. James W. Riddleberger, Director

ICA—Mr. Leonard J. Saccio, Deputy Director

U/MSO—Mr. John O. Bell

NEA—Mr. Parker T. Hart, Deputy Assistant Secretary

SOA—The Hon. Henry A. Byroade, U.S. Ambassador to Afghanistan

On Friday, May 13, the above group met for lunch in the Secretary's Dining Room to discuss two subjects raised by Ambassador Byroade during his consultation in Washington. The discussion revolved around two papers that Byroade had submitted to the Acting Secretary. One, dated May 2, concerned "Foreign Aid Construction Projects", and the other dated May 9, concerned "Long Term Commitment of Foreign Aid for Afghanistan".²

Most of the discussion was on the subject of the first paper listed above. Mr. Dillon said that he hoped that procedures could be worked out and that major construction in connection with our foreign aid program could be performed by the Corps of Engineers. Mr. Riddleberger seemed to agree with the general desirability of such a shift provided that workable relationships could be worked out with the Corps of Engineers. It was decided that a future informal discussion would be called by Mr. Dillon which would include Mr. Riddleberger and the Chief of Engineers.

Discussion on the second paper was shorter, as Mr. Dillon had to leave for the White House. Mr. Dillon outlined his views of the probable long-term changes in our general aid concept. He felt there was a considerable chance of adopting Byroade's "line-of-credit" approach next year and that it might be possible to get approval next year from Congress for that approach. Byroade questioned whether this action could come quickly enough in view of the timing of Afghanistan's second five-year plan. Mr. Dillon saw no hope of changing radically our present concept at this stage of the legislative year. Ambassador Byroade stated that he could feel more relaxed about the situation in Afghanistan if the National Security Council at least knew of the dilemma we faced there on this problem. Mr. Dillon said he would be glad to make a report to the Council on the subject. Ambassador Byroade undertook to prepare a paper for that purpose.³ Mr. Saccio raised some question of the desirability of the "line-of-credit" approach. He stated that the political appeal of such an approach was of

² Neither found.

³ Under cover of a memorandum of May 18, Byroade forwarded a paper to Dillon on Afghanistan for possible use by the Under Secretary in briefing the NSC. (Department of State, SOA Files: Lot 64 D 577, Afghanistan—U.S. Policy) There is no record that Dillon ever briefed the NSC on developments in Afghanistan.

course considerable but that in practice it was easy for the U.S. to lose control of the choice of projects undertaken under the overall line-of-credit.

There was a marked tendency for a recipient government to regard an agreed line-of-credit as "its own money" and to insist on spending it when and as it wished without discussing the desirability or feasibility of projects with the grantor government.

168. Telegram From the Embassy in Afghanistan to the Department of State¹

Kabul, July 3, 1960.

4. During my recent consultations I sought explain difficulties arising out of planning our aid programs on project basis and advantages of shifting to longer term commitments, covering total magnitude of aid we willing to allocate to Afghanistan provided suitable projects available. I wrote memorandum at request Under Secretary Dillon for use as illustration in discussions NSC. Same time I understood that in view forthcoming elections and Congressional cycle it virtually impossible anything positive could be done along this line re Afghanistan until next year.

While I appreciate complexity of problem as seen from Washington I regret to report that on basis Embassy's analysis of current trends we feel this timetable is not good enough and will not effectively meet problem. When in Washington I felt that we might be able to stall at least until early months of new administration. I do not feel any longer that this the case. As indicated in numerous recent reports:

(1) RGA embarked on policy forced development at fastest technically possible rate and with maximum foreign financing regardless of source and will risk its political future on success this all-out effort. Accordingly RGA will base its future development plans as well as its future general orientation on the kinds of long-term assurances it can get now for foreign support.

(2) Strength of Soviet position here is based on its acceptance of point (1) above as the foundation of Soviet policy. Accordingly we are convinced that USSR has offered to finance total foreign exchange costs of entire second 5-year plan (now estimated at about \$500 million), as well as military aid and numerous special projects. While RGA apparently has not yet accepted this entirely and has made

¹ Source: Department of State, Central Files, 789.5-MSP/7-460. Confidential.

crystal clear its desire to see United States increase its participation Afghan development, it is also clear that RGA will accept Soviet financing to the extent required to cover what is unavailable from United States. Foreign Minister emphasized this to me by saying that RGA plans are not based on any concept of "balance of aid between East and West" (Embassy telegram 1195).² We must also recall Foreign Minister's statement that under RGA planning procedures size and scope second 5-year plan will not be determined finally until extent of foreign financing is known. While this may not be approved method of planning it demonstrates clearly need of RGA for some assurance now before completing next 5-year plan which will go into effect in September 1961.

It can be seen therefore that an American schedule which defers decision on long-term financing problem until close next Congressional session will not meet the challenge we face here. Therefore we have sought formulate new concept this problem which would make it possible for us to discuss future aid with RGA and in most general terms to indicate general level of total financial support which free world might be able to give. This concept based upon following principal elements:

(1) Coordinated approach by free world countries best able to make significant contribution, that is, principally United States, Germany, Japan and perhaps including Turkey because of its special position here. On such basis it might be possible present RGA with general proposal that four countries would provide financing and aid equal to about one-half, that is about \$250 million, presently estimated foreign exchange costs of second 5-year plan. This would force rough balance between free and Soviet blocs while pre-empting sizeable free world role in Afghanistan for next five years. Would also give RGA greater assurance re future. It possible of course that size of second 5-year plan might be increased or that Soviets might raise the ante but the limitation on Afghan absorptive capacity provides best possible brake. Money, whether from East or West, can only be actually spent as fast as it can be used. Key point is for free world to carve out in advance a large enough role and then to play it effectively by implementing its projects efficiently. What we propose is not the addition of a great amount of money over what we may end up spending in a 5-year period. The basic change is that we reap the political benefits of being able to make a commitment now, and in conjunction with other nations.

² In telegram 1195, June 1, Byroade reported on two conversations which he had with Naim on May 24 and May 28, during which they discussed U.S. and Soviet aid to Afghanistan. "I told Naim," the Ambassador noted in part, "that while I did not know if current rumors were true I had begun to wonder if Soviets might not be attempting to 'buy' us entirely out of Afghanistan. He quickly replied that RGA itself would have to be involved in any such decision, and that it most certainly would not agree to any such plan. He said on contrary they wanted the US involved in Afghanistan just as much as possible." (*Ibid.*, 861.0089/6-160)

(2) By rejecting current level technical assistance for five years and adding approximately \$15 million special assistance annually, by assuming total \$25 million DLF support over next five years and, on basis liberalization PL 480 and possibility multi-year program (Department telegram 991)³ [and?] assuming \$75 million wheat program plus other commodity imports over five years, it is possible estimate total level United States assistance at roughly \$200 million.

(3) We understand Germans have previously considered supporting 5-year plan to extent \$40 million. We fear however that in absence some coordinated approach which offers promise of success, Germans may be discouraged by difficulties some of their firms and projects having lately. By bringing in Germans with \$40 million and by encouraging Japanese and perhaps others to raise level by \$10 million it would be possible put together a \$250 million free world level of aid.

We realize there are many complexities involved and that multi-lateral planning is difficult but this is the only way we see now by which free world can even possibly meet challenge on timely basis.

It impossible serve here and associate with official Afghans on daily basis without sensing their disappointment and frustration that United States system makes it impossible for us to participate in their future plans. Even low officials give impression RGA cannot hold up its planning for perhaps over a year and that they will reluctantly accept bulk of assistance from Communist bloc. To be sure some Afghans would not do so [*1½ lines of source text not declassified*]. Unfortunately those inclined to restraint are decided minority.

Regret to report that unless some such approach as above can be devised it is opinion this Embassy that we cannot expect much longer to be able accurately to refer to Afghanistan as neutral nation. In our opinion the necessity RGA feels for rapid development will win over caution against over-commitment to the Soviets. They will not knowingly take steps which they consider will lose their independence but we feel that if they consider it necessary in order to have continued and increasing pace of development they will place the ability to achieve this result over continued neutrality.

I would appreciate it if the Department and interested agencies would give urgent and serious consideration to this general approach and advise us of Washington views. If this approach acceptable for planning purposes Embassy and USOM will draw up more precise proposal. If plan can be devised it would then be necessary to coordi-

³ In telegram 991, June 30, the Department pointed out that it had no objections to exploring with Afghanistan the possibility of a multiyear program of economic assistance. (*Ibid.*, 411.8941/6-2360)

nate with other three nations both in Washington and Kabul and it might be desirable to keep DAG and OECD informed.⁴

Byroade

⁴ The Department of State replied in telegram 30 to Kabul, July 9, which reads in part as follows: "Department appreciates suggestion contained reftel and agrees offer of long term commitment to assist Afghanistan's economic development would make it easier for RGA plan such development in accordance prospective US and other foreign contributions thereto. Department still believes it impossible, however, justify at this time firm commitment since data or detailed plans which might support such long term determination for period 1961-66 simply not now available in case Afghanistan." (*Ibid.*, 789.5-MSP/7-360)

169. Memorandum From the Acting Secretary of State to the President¹

Washington, July 8, 1960.

SUBJECT

Ambassador Byroade's Views Regarding Project Execution Improvement

ICA has given thorough and careful consideration to the views expressed by Ambassador Byroade regarding the need for improvement in project execution which were mentioned in your memorandum to Secretary Herter of April 23.² A report has been provided me by ICA which indicates ICA's recognition of the need for improvement in project execution and recites a number of efforts which have been made and which it is believed will achieve better performance in the near future.

With respect to the particular suggestion of Ambassador Byroade that the Army Engineers be used, ICA points out that it has on a number of occasions utilized the services of the Corps. It does believe that an interagency agreement covering the provision of services by the Corps and other agencies of the Department of Defense would clarify and facilitate opportunities for more extensive reliance on the Corps. Discussions looking to such an agreement will be initiated shortly by ICA with the Department of Defense. It is expected to result in an interagency agreement under which the facilities and expertise of

¹ Source: Eisenhower Library, Project Clean Up, Afghanistan. Secret.

² Not found.

the Corps, as well as the Bureau of Yards and Docks and other technical services of the Military Establishment, could be drawn upon more expeditiously and effectively in carrying out ICA's project activities.

In addition, ICA has already reached an agreement with the Corps of Engineers under which the Corps will take over responsibility for completing the major highway program in Afghanistan. This was the project which had given particular concern to Ambassador Byroade.

Douglas Dillon³

³ Printed from a copy that bears this stamped signature.

170. Telegram From the Department of State to the Embassy in Afghanistan¹

Washington, August 30, 1960—7:30 p.m.

188. For Ambassador Byroade. Kabul 4.² FYI. After careful consideration reftel plus previous and subsequent communications concerning long-term commitment, believe following approach to Daud represents farthest U.S. can go at this time towards meeting RGA request for precise long-term commitment.

According to proposed approach you would inform Daud that:

1. U.S. desires to help meet a reasonable portion of Afghanistan's economic development requirements and he may count upon continued U.S. help. (We do not wish relate any commitment to five year plan and thus wish relate to requirements of economic development.)

2. We hope PM will appreciate that since plans are not yet completed and since we would have to look at plans in more definitive form before making any specific commitments, U.S. cannot be definite as to amounts.

¹ Source: Department of State, Central Files, 789.5–MSP/7–360. Secret; Limit Distribution. Drafted by Donald D. Kennedy, John N. Gatch, and John O. Bell and approved by Dillon. In a memorandum to Dillon of August 29, Jones enclosed a draft copy of this telegram for the Acting Secretary's approval. He reviewed Byroade's consultations in Washington and noted that he had called a meeting of the Afghanistan Action Group on August 26 as a means of arriving at a new U.S. position on the Afghan aid problem. During the meeting, the draft telegram was approved. (*Ibid.*, 789.5–MSP/8–2960) Minutes of the August 26 meeting of the Afghanistan Action Group are *ibid.*, SOA Files: Lot 63 D 110, Afghanistan.

² Document 168.

3. Our record however shows that we are very much and positively interested in Afghanistan's economic development (Deptel 30 of July 9).³

4. We hope Daud will accept assurance you have just given him, our past record and our efforts to expedite present programs as solid and dependable evidence of our intention to continue to be of help.

5. We look forward to future years of cooperation. End FYI.

Your views on Daud's probable reaction to approach along lines of foregoing requested.⁴

Herter

³ See footnote 4, Document 168.

⁴ Ambassador Byroade replied in telegram 260 from Kabul, September 7. It reads in part: "I believe it would be tactically wiser for us to extract whatever short-run advantage there is in keeping the matter fuzzy and thereby encouraging Afghanistans to postpone as long as possible making any final decisions which might increase their dependence on the USSR." (Department of State, Central Files, 789.5-MSP/9-760)

171. Memorandum of a Conversation, New York, September 23, 1960¹

SUBJECT

Afghan Deputy Prime Minister's Call on the President: Afghanistan's Relations with Iran and Pakistan; the "Pushtunistan" Question

PARTICIPANTS

The President
The Secretary of State
Brig. Gen. A. J. Goodpaster
Mr. G. Lewis Jones (NEA)

His Royal Highness, Sardar
Mohammad Naim, Deputy Prime
Minister and Foreign Minister of
Afghanistan
H.E. Mohammed Hashim
Maiwandwal, Ambassador of
Afghanistan in Washington

Prince Naim and Ambassador Maiwandwal arrived about seven minutes late. The President met them at the door of the suite and took them into an adjoining room where photographers were assembled.

¹ Source: Department of State, Central Files, 789.11/10-660. Confidential; Limited Distribution. Drafted by Jones. The source text indicates that this conversation took place at the Waldorf Towers. A slightly different account of this conversation, drafted by Andrew J. Goodpaster, is in Eisenhower Library, Project Clean Up, Afghanistan. Dillon briefed Eisenhower for this meeting in a memorandum of September 23. (*Ibid.*, Whitman File, DDE Diaries) The President was in New York for the Fifteenth Session of the U.N. General Assembly, which opened on September 20.

After the picture-taking, the party adjourned to the sitting room where the President started by referring to the tall buildings of New York, and then asked how things were going in Afghanistan.

Naim replied that the Afghan Government's efforts are only "pygmy" compared to the country's needs, but they were moving ahead and in about eight months a Third Five-Year Plan of economic development would be announced.

The President said he recalled from his visit to Afghanistan that there were some difficulties between Afghanistan and the Iranian Government over water rights.

Naim replied that Prime Minister Daud had visited Tehran and that the RGA was looking forward to receiving the Prime Minister of Iran in Kabul. However, the election difficulties in Iran had intervened. The RGA still hoped that the new Iranian Prime Minister would come to Kabul to discuss water rights.

The President recalled that the King of Afghanistan had told him that the problem of the Helmand River was a relatively easy one to settle on a just basis. Naim agreed that a settlement should be easy and said that the RGA was always willing to work for a good settlement.

The President then inquired: "How about 'Pushtunistan'?" Naim replied that this was a far more difficult problem than that of the Helmand River. Unfortunately he could report to the President no improvement—the problem was perhaps worse. Naim said that the Pakistan Government is continually encroaching on the tribes. In an effort to achieve a settlement he, himself, had visited President Ayub, but there had been no progress and the problem drags on. The President said that when he saw Ayub he was impressed with the fact that he was "a reasonable and well-educated fellow." He thought he would be inclined to work out a settlement.

Naim replied that it was difficult to work out a settlement on purely intellectual grounds: in this issue emotions on both sides were heavily involved. The President said he fully appreciated the delicacy of the situation; it was not one in which outsiders should mix themselves. It was up to neighbors to adjust the difficulties between themselves so there could be peace and order in the world.

Naim reiterated that while he was hopeful of adjusting difficulties with Iran, he was less so with regard to difficulties with Pakistan. For example, the GOP had recently been conducting air operations close along the Afghan border which did not help. The RGA wanted stability in the area and did what it could, but the truth was that the RGA had no faith in the GOP. He agreed that if both countries were to make progress they must develop joint friendly relations in an atmosphere untroubled by contentious propaganda.

The President said he would like to "have another look at this question." He directed Secretary Herter to ask Ambassadors Rountree and Byroade to submit to him special reports covering the way their respective countries look at the problem. The President said that it went without saying that each would back the idea of his country of assignment but the President would like to read these reports and see what, if anything, he might usefully do.

Naim said that the GOP sticks by the colonial position—that which existed in the time of the British. The GOP rejects the RGA contention that the problem must be judged on historical and ethnic considerations.

The President then told the story of the many years of difficulty over fixing the boundary between the United States and Canada. The President said that, except for the French Canadians, the Canadian people come from exactly the same racial stock as the Americans, and yet there was an argument for nearly a hundred years as to where the border should be fixed. Finally the 49th Parallel was decided upon and we have lived with this ever since. The President said that in a matter like this "neither side can be completely right."

Naim interjected that it was not a question of the location of a border; it was the ethnic considerations of tribal peoples. The President agreed that this made matters much more difficult. Naim then said that since the United States is a great friend of both parties it could be a useful element in a settlement. The President said that perhaps the United Nations could help with a settlement. Naim readily agreed and said that the best thing would be if a United Nations commission could go to the "Pushtunistan" area and see for themselves.

The President said that any people held down by force of arms are unhappy. He had not discussed this subject directly with President Ayub, but the latter was a reasonable and likeable fellow. Naim agreed that Ayub was reasonable and likeable but said that the nature of the reception which he had received at Rawalpindi was so "cooling" that Afghan-Pakistan relations had deteriorated since. Ambassador Maiwandwal explained that Prince Naim had gone to Rawalpindi hoping to achieve the beginning of a settlement but that the visit had been a "failure."

Naim expressed the fear that the difficulties in the Free World, such as the Congo, would make a solution of the "Pushtunistan" problem even more difficult. The President said that there was a crying need for stability in the area of Iran, Afghanistan and Pakistan. Such stability could only come through better understanding. He said that even though he would not be much longer in office he would like to see what the reports from Kabul and Karachi had to say. After studying them he would then decide whether there were new sugges-

tions which he might wish to make to both sides. He did not mean to attempt anything like mediation; any new ideas which occurred to him he would make known as a friend to both sides.

The conversation then turned to the nature of the Pushtun-speaking territory, its size, and the nomadic habits of its population.

The President cited the many problems which had arisen as a result of the partition of India. He pointed out that good will could solve these. Naim said that he realized that the "Pushtunistan" problem is only a local one compared to those of the world at large. He wanted the President to know that the Afghan Government and people, as well as the Free World, have the fullest confidence in the President personally.

The President reiterated it would be a fine thing if Iran, Pakistan, and Afghanistan could get together. Naim agreed, pointing out in many ways these three countries are complementary and have resources which they can share and, thus, raise the living standards of their people.

The President asked Naim to tell the King of Afghanistan that he was going to study the situation. If he had any suggestions they would be sent to the King in the "friendliest spirit" just as they would be sent to Pakistan. The President said that he did not want to "hot up" the problem. If he had no ideas, Secretary Herter would so inform Afghanistan and Pakistan.

Naim (rather formally) said that he could assure the President on behalf of the RGA that the RGA would be more than delighted to see the results of the President's study. The President said that he might wish, after studying the situation, to suggest that the Secretary General of the United Nations play a role. However, "the United Nations is very busy these days."

Naim said again that the RGA would welcome closer interest by the United States Government in this problem. The President said: "We don't get anywhere by standing still." Naim replied that the RGA is ready to try again and again, but the GOP must be prepared to talk seriously. The President's visit to Kabul had made a great impression on the Afghan people; he hoped the United States would continue its policy of following the RGA problems. The President said: "I will take a look."

At this point the President rose and escorted his Afghan visitors to the door.

Note: On the way out Prince Naim commented to Mr. Jones that the visit had been "wonderful": he seemed almost walking on air. NEA is drafting instructions to both Kabul and Karachi as directed by the President.²

² Telegram 234 to Kabul, September 23 (sent to Karachi as telegram 542), summarized the President's conversation with Naim and requested Ambassadors Byroade and Rountree to prepare and submit reports on the Pushtunistan problem for the President. (Department of State, Central Files, 689.90D/9-2360)

172. Editorial Note

On September 23, the Embassy in Kabul reported that a "threatening situation" was developing in Bajaur along the Pakistan-Afghanistan border, with hostilities raging within Pakistani territory between pro-Afghan elements allied with the Nawab of Dir and pro-Pakistani elements allied with the Khan of Khar. On September 24, Prime Minister Daud informed Ambassador Byroade about the situation in Bajaur; he indicated that he thought it likely that conflict would break out between Pakistani troops and local tribal people and that Afghanistan would be forced to protect the local tribes. (Telegram 330 from Kabul, September 24; Department of State, Central Files, 689.90D/9-2460; telegram 587 to Ankara, September 30; *ibid.*, 689.90D/9-3060)

In despatch 72 from Kabul, October 24, the Embassy summarized what it referred to as "the Bajaur tribal war." (*Ibid.*, 689.90D/10-2460)

173. Telegram From the Embassy in Afghanistan to the Department of State¹

Kabul, September 29, 1960—7 p.m.

358. Called on Daud today to comply with instructions Deptel 241² (not repeated all addressee posts). Told him my government extremely concerned developments along border and then read to him carefully paraphrased version my instructions. Changed sentence which stated their actions might be misunderstood by Pakistan to read that they might be misunderstood “not only by Pakistan but by world opinion”.

After careful study this paraphrased text Daud asked for further explanation to determine real meaning of sentences. I told him that I thought wording clear and stressed that important part was expression of hope by my government that RGA would exercise restraint and avoid any steps which might enlarge conflict. He then asked if this was unilateral effort of US or was similar expression our views being given Pakistan.

I told him that we viewed situation with such gravity that we were urging restraint with both countries. However he must realize that our position in Pakistan could not be described in same words as our position in Afghanistan. Said I thought he should know that we had been pressed several times recently by friends and allies to reaffirm our public position regarding the Durand Line. We had resisted these pressures, not because of any change in position on our part, but rather from desire avoid any type unnecessary public statement that might create ill feeling. However we still committed publicly in prior statements to recognition of Durand Line and there no change in our policy in this regard. This was important factor to keep in mind and greatly affected US position as by his own statement disturbances and difficulties were across border and outside Afghan territory.

Daud said that basis RGA policy was not aggression and most important tenet their policy was desire for peace and solution of problems through negotiation and not by force. On Pushtoonistan question he felt RGA stand was obvious and should be understood. They had never claimed any territory nor did they now have this in mind. He said difficulties in Bajaur area were created deliberately by Pakistan intrigue designed cause trouble. He said any disturbances between

¹ Source: Department of State, Central Files, 689.90D/9–2960. Secret; Niact. Also sent to USUN and repeated to Karachi, Ankara, Bangkok, London, and Tehran.

² Telegram 241, September 27, instructed Byroade to inform Daud that the United States viewed “with concern” the border hostilities. (*Ibid.*, 689.90D/9–2660)

Pushtoon tribes and Pakistanis across border would affect tribes on this side of border and that tribes themselves would not remain idle under these conditions. If things got worse and more complicated it would be difficult or impossible to stop tribes on this side of border. As we were friend of both sides he hoped we would let Pakistanis know that this type of action could have very serious repercussions.

Told Daud I was concerned at international posture of Afghanistan in this particular case and wished understand his line of reasoning more clearly. I drew map of area showing Durand Line. I said it clear that Afghan territory extended to this line. There might be difference of opinion as to what lay across line. He would say it was free Pushtoonistan and/or occupied Pushtoonistan. Others would say that it was Pakistan. By whatever name it called it clearly not Afghanistan and he himself had just said they sought no more territory. If he agreed that demarcation of territory under RGA control stopped at Durand Line how could Afghanistan maintain the position in world opinion that moving groups of any sort beyond line was not an act of aggression?

Daud said he agreed as to where Afghan territory stopped but felt that informed opinion would understand that they not aggressors. He then drew map of his own showing tribal areas which extended across border as if it did not exist. He emphasized over and over again that any disturbance in a particular tribe on one side of line affects that part of same tribe living on opposite side of border. It was clearly Pakistan's obligation not undertake any activity on their side of the border which would affect tribes within Afghanistan.

He stressed that opposite was of course also true. In this case he stressed that Pakistan had taken actions which affected tribes on the Afghan side and RGA could not remain idle because of artificial border which had no meaning to tribes concerned.

Daud continued, without stopping, no comment on late publicity given to incident in Pakistan and particularly statement of Qadir September 27. He obviously greatly exercised by Qadir's statement indicating Afghanistan had support of outside "big power". He asked what could be meaning of such a statement from responsible man. He said Afghanistan was neutral country, had no allies and was not associated in any form of military or other alliance. Such a statement not true of Pakistan. Any statement regarding support of either country by outside powers would seem to apply more aptly to Pakistan than Afghanistan. He said these false and baseless statements were being made to confuse world opinion and cover up Pakistan's own sinister acts. Afghan military forces were along border as precaution only. He said they would never plan aggression against their Pushtoon brothers. If actual aggression was to be committed it would have to be from Pakistan side. He said he had taken initiative to see Pakistani Amba-

sador Rahman two days ago and asked in friendly way that things not be allowed to get worse. Daud said that he told Rahman that it was his firm conviction that resort to force in state of world tension as it exists today would never solve any problem but that only way was to negotiate in good faith and with good will.

I repeated again at end of conversation our deep concern and our hope that restraint would be exercised to avoid what could become disastrous situation for all involved. He thanked me again for US concern and efforts.

Byroade

174. Editorial Note

On September 30, the Pakistan–Afghanistan border dispute was discussed at a Department of State–Joint Chiefs of Staff meeting. According to a memorandum of the substance of discussions at the meeting, the following exchange took place:

"2. Pakistan and Afghanistan Border Dispute (State Initiative)

"Mr. Merchant said he wanted to flag another trouble spot to the JCS, the situation on the Pakistan–Afghanistan border. He said it looks as though the Afghans have made an infiltration into Pakistan. Up until a few days ago the Pakistani have been very relaxed but they were now disturbed over this development. Mr. Merchant wondered what the role of the USSR was in this, for it appeared that the Afghans did not have the amount of money available themselves to mount this kind of offensive. Then again, the situation may have been caused by one of those periodic tribal differences. In any event, we had instructed Ambassador Byroade to try to exercise restraint on the Afghan Government.

"He asked if the JCS had any views on this situation.

"General White said there was a lot of air movement in the area.

"General Lemnitzer agreed that we should keep an eye on the situation. He said the Pakistani constantly were referring to the Afghan problem in CENTO meetings." (Department of State, State–JCS Meetings: Lot 70 D 328)

175. Memorandum From the Secretary of State to the President¹

Washington, October 15, 1960.

SUBJECT

Reports from Ambassadors at Karachi and Kabul on "Pushtunistan" Question

Following your conversation with His Royal Highness Sardar Mohammad Naim, Foreign Minister and Deputy Prime Minister of Afghanistan, in New York on September 23,² you requested reports from our Ambassadors at Karachi and Kabul on the current status of the "Pushtunistan" question.

Copies of the requested reports are enclosed.³ Both Ambassadors are of the opinion (a) that it would not be helpful at this time for the United States to intervene in the "Pushtunistan" controversy, (b) that in view of our relations with Pakistan, it is important that we continue to recognize the Durand Line as the border between Pakistan and Afghanistan, and (c) that in view of the potential dangers arising from the recent clashes on the Afghan-Pakistan border, we should continue quietly to discourage further hostilities.

Our Ambassador to Pakistan, Mr. Rountree, has made the following points:

1. Recent border incidents involving Afghan incursion into Pakistan territory emphasize the need for improved Afghan-Pakistan relations.

2. The defeat of the invading Afghan tribesmen by the Pakistani tribesmen, and the fact that Pakistani tribes did not rally to fight for "Pushtunistan" may lead the Afghan Prime Minister to play down the issue in the future.

3. There would be no prospect for an improvement in relations if this depended on Pakistan's recognizing that Afghanistan has any legitimate voice in affairs of the tribal territories in Pakistan.

4. Pakistan believes the Soviet policy of supporting Afghanistan's position on "Pushtunistan" increases the gravity of the issue for Pakistan and the rest of the free world.

5. The United States has always refrained from any actions which might encourage Afghanistan to believe we would support its "Push-tunistan" claims. Rather, we have made it clear that we recognize Pakistan's sovereignty up to the Durand Line. We have made determined efforts to encourage the cessation of hostile propaganda and have encouraged closer economic cooperation.

¹ Source: Eisenhower Library, Project Clean Up, Afghanistan. Secret.

² See Document 171.

³ Neither printed. Reference is to telegram 691 from Karachi, October 6, and telegram 407 from Kabul, October 12. (Department of State, Central Files, 689.90D/10-660 and 689.90D/10-1260)

6. Any United States action implying that a legitimate issue exists might encourage the Afghans to take their claims to the United Nations, or to risk military action along the border. Since the recent defeat of invading Afghan tribesmen might lead to Afghanistan's seeking a military victory, serious engagements are not to be ruled out; and our efforts should be directed toward localizing border disturbances rather than becoming involved in the "Pushtunistan" question.

7. In view of the fact that our position in Pakistan has suffered in recent months as a result of Soviet propaganda and offers of aid, it is particularly important that we avoid giving the Pakistanis any reason to question our position vis-à-vis the "Pushtunistan" question.

8. The Pakistanis have given assurances that they are prepared to cease propaganda at any time that the Afghans agree to do likewise and are prepared to discuss outstanding problems other than "Push-tunistan". They are not prepared to make concessions involving their sovereign territory.

Our Ambassador to Afghanistan, Mr. Byroade, agrees with the foregoing and stresses the following points:

1. The best we can hope for now is that if Prince Daud can survive without engaging in further hostilities, he may gain a more realistic view of "Pushtunistan" and a gradual subsidence of tensions may follow. If the Pakistanis ostentatiously exploit their current advantage, Daud's position and that of the more extreme Pushtunistan advocates may be strengthened.

2. Prospects of final solution are difficult to envisage under any conceivable Afghan Government, but in the long run the integration of Pakistani tribal regions into Pakistan national life may lead to a solution. Among the reasons for believing that mediation efforts at this time would serve no useful purpose are: (a) personal mistrust between President Ayub and Prince Daud, and (b) the fact that Pakistan believes it has no reason to recognize the existence of the "dispute" generated by the Afghans.

3. Among the factors involved in the Afghan position are: (a) concern for the welfare of the tribes; (b) traditional efforts to stir up the tribes against forces in neighboring territories; (c) efforts of the Royal Family to ingratiate itself with Afghan tribes strong enough to destroy the dynasty; (d) efforts to nurture a basis for claims to territory west of the Indus in case Pakistan were to disintegrate; and (e) a desire to placate certain Afghan extremists who consider the "Pushtunistan" campaign as a step toward territorial annexation.

4. No move at this time by the President to resolve the "Push-tunistan" issue would offer sufficient chance of success to warrant use of his high office.

I concur in the findings and recommendations of the two Ambassadors. I believe we should be alert for opportunities to discourage hostile acts and propaganda and that we should make every effort to encourage closer economic relations. I am convinced, however, that it would not be in our national interest to undertake any intervention in the "Pushtunistan" question at this time.

Recommendations:

1. That you authorize the Department to thank the Ambassadors on your behalf for their reports.

2. That you authorize the Department, if queried by the Afghan Government, to say the Ambassadors' reports are still under consideration.

3. That, in view of the fact that you have broached the subject of the current "Pushtunistan" situation only to the Afghan Government, you authorize the Department to continue to withhold the fact that the matter was discussed in your conversation with Prince Naim.

Christian A. Herter⁴

⁴ Printed from a copy that bears this stamped signature.

176. Memorandum From the Secretary of State to the President¹

Washington, October 18, 1960.

SUBJECT

Letter from King Zahir of Afghanistan Concerning "Pushtunistan"

On October 15 I sent you a memorandum² summarizing the reports of our Ambassadors in Pakistan and Afghanistan on the status of the "Pushtunistan" dispute. I concurred in their recommendations that we take no further initiative in seeking a settlement of this complex question. This is in accordance with the policy we have followed for many years of encouraging bilateral negotiations between the two countries without direct intervention on our part.

On October 17 the Afghan Ambassador delivered to me for transmission to you a letter from the King of Afghanistan, which I enclose.³ In this letter the King assumes erroneously that you undertook to inject yourself into the "Pushtunistan" dispute. This clearly goes well

¹ Source: Department of State, Central Files, 689.90D/10-1860. Secret; Presidential Handling. Drafted by Poullada on October 17.

² *Supra.*

³ Dated October 12, not printed. A memorandum of Herter's conversation with Maiwandwal, drafted by T. Eliot Weil, is in Department of State, Central Files, 689.90D/10-1760. A copy of Zahir's letter to Eisenhower was also attached to that memorandum of conversation.

beyond your statement to Afghan Deputy Prime Minister Naim in New York on September 23 that you would take a “new look” into the matter to see if you could in any way be helpful.

In view of the recommendations of our Ambassadors in Pakistan and Afghanistan, with which I fully concur, I believe we should without delay disengage ourselves from any attempt by the Afghan Government to pin us down to intervention in the “Pushtunistan” issue. I am also of the opinion that the record should be clarified to show that in your conversation with the Afghan Deputy Prime Minister you undertook only to look into the matter and not to enter directly into any attempt to settle the dispute. You specifically excluded mediation. The enclosed draft letter from you to King Zahir, to be delivered by our Ambassador, seeks to achieve both these ends.

I therefore recommend that you sign the enclosed letter to King Zahir. I further recommend that this correspondence not be made public. To any inquiries from officials of the Pakistan Government concerning this matter, we will continue to reply that nothing of substance regarding the “Pushtunistan” problem has been discussed with the Afghans.⁴

Christian A. Herter⁵

⁴ According to a note on the source text, the White House approved the draft letter with slight changes and forwarded it to the Department of State on October 24. The letter is printed *infra*.

⁵ Printed from a copy that bears this stamped signature.

177. Letter From President Eisenhower to King Zahir Shah¹

Washington, October 21, 1960.

YOUR MAJESTY: I was pleased to receive your letter of October twelfth delivered by Ambassador Maiwandwal. It recalled to my mind my memorable visit to Kabul which I so much enjoyed.

As your letter indicates, the subject of “Pushtunistan” arose in my talk with Deputy Prime Minister Naim on September twenty-third. I expressed to him at that time my willingness to look into the matter to

¹ Source: Department of State, Central Files, 689.90D/10–1660. Secret; Presidential Handling. Transmitted in telegram 330 to Kabul, October 24, which is the source text. Telegram 330 was repeated to Karachi. The telegram informed the Embassy that the signed original was being pouched and noted the White House desire that the letter not be made public.

see whether I could discover any way in which I might be helpful to our two friends who are involved in this controversy. I explained that it was not my thought that the United States might undertake a mediatory role in this difficult and complex problem and warned him that it was possible that after restudying the question I might find that I had no new ideas to offer.

I have now once again considered carefully and in the most friendly spirit the various aspects of this question and have come to the conclusion that the policy which the United States has followed for many years is the right one. As you know, this has been to encourage both countries to settle their differences by bilateral negotiations.

In this connection, I note with great satisfaction the statement in your letter that you will continue to seek a solution of your problems with Pakistan through peaceful means.

If in the course of any negotiations you believe that my Government can be of assistance, we will of course—as in the past—be pleased to consider what we might do to help without direct involvement.

With warm regard,
Sincerely,

Dwight D. Eisenhower²

² Telegram 330 bears this typed signature.

178. Telegram From the Embassy in Afghanistan to the Department of State¹

Kabul, October 27, 1960—11 a.m.

461. In absence King Zahir, I delivered Presidential message contained Deptel 330² to Foreign Minister Naim at 11 a.m. October 26. I attached a letter of transmittal requesting Naim to transmit letter to His Majesty in such manner as he deemed appropriate and covering point that my government did not wish to make message public.

Naim read letter carefully, showing disappointment which he did not express until later in meeting. He reviewed his talk with President, saying that President was kind enough to raise subject himself. He had

¹ Source: Department of State, Central Files, 689.90D/10-2760. Secret; Priority; Presidential Handling. Repeated to Karachi.

² *Supra.*

been much impressed by President's apparent desire, prior to his leaving President's office, to be helpful if possible on subject of Pakistan-Afghan relations. He understood completely President's desire not to interfere in affairs of other nations and that he possessed only a sincere desire to try to be helpful. He stated that he would transmit the letter to His Majesty without delay.

Sensing his disappointment, I told Naim he must realize it had been a most difficult time for President to analyze basic issues involved. His visit came at a time when even we here in Kabul were not certain just what situation was in vicinity of border or what trend of events there would be. This had obviously made task of any third party trying to be helpful much more complicated. I asked his analysis of current situation and what he thought future held as regards this issue.

Naim said he felt there really no need to again give me detailed explanation of their feelings as regards Pushtunistan issue. He felt that there were "too many ready ears" in the US who automatically sympathized with Pakistan. He felt that every premeditated move of Pakistan was made with view to the propaganda it would receive, particularly in America. He felt that as a nation we were "somewhat unilateral" in our thinking on this problem and he supposed this not surprising as we and Pakistan were allies. He said while he was in New York our press had called Afghan an aggressor and had showed no understanding of the Afghan case. He said Pakistan was attempting to change things in an area in which they had no right to take such action, and referred to changes of tribal leaders in Dir with bitterness. He said that what Afghanistan on her own part had done was nothing more than had always been the case when there was trouble between Pushtun tribes. They had been hopeful that their Jirgahs could get the tribes back together again. However, Pakistan was obviously making deliberate effort to bring previously unadministered Bajaur area under their control and this had been going on now for a year. He said that it was Pakistan initiative, not that of Khan of Khar by himself, that caused fort to be built where tribal Jirgahs had decided previously that none should be built. Their Jirgah representatives had been ambushed in middle of night and on this first encounter as many as 120 had been killed. He ended by saying that it was not Afghans but the Pakistanis who had taken the initiative to cause this trouble. If they continued their activities relations could obviously not improve and probably would continue to get worse.

I told him I was disappointed in his remarks as I felt throughout the years the US had given adequate proof that we had not sided with either RGA or GOP against the other. All of our efforts, including the recent initiative of President, had been to try to assist both parties to reach a solution. This was still our position regardless of impressions

he may have received from our press. I said I thought it not surprising that the press should be as he stated and I had been concerned at their position before world opinion in the recent conflict. Most individuals regardless of nationality assumed there was a legal border between Pakistan and Afghanistan. If there was fighting on Pakistan side of line and Afghans were involved it seemed to me that conclusion would be widespread that it must be at Afghan initiative. He acknowledged validity of this line of reasoning.

Naim then expressed disappointment in President's reply and made comment that apparently some parts of King's letter did not meet with full understanding. He believed US could be of assistance if we would fully appreciate all aspects of issue and persuade Pakistan to stop activities which made it mandatory that there be Afghan reaction. If they continued their efforts to integrate this tribal area actively into Pakistan he could not foresee results. While he did not say so precisely he implied that end result might be further hostilities of a nature which could be disastrous to both countries and dangerous in view of world situation.

I asked if he thought there was any hope in trying to lay aside political aspects of issue and seek agreement that both sides, with such outside help as would be useful, would concentrate jointly on improving living conditions for the tribes on both sides of the border. Perhaps coordinated plan could be devised for introduction of schools, roads, and cottage industry type development which in period of ten to twenty years could vastly improve life of the tribal people. If this could be done perhaps it would ease an eventual political settlement.

Naim replied he did not think this the case and that I underestimated the real urge for political identity of the Pushtun people. He asked why I thought the Afghan tribes were so poor? He said they could have achieved more advanced living conditions under British [as?] had for instance the Punjabis. The reason this had not happened was that they valued their independence more than any other thing in life, and as result they had resisted advancing under British. What I was now suggesting would mean that the tribes on other side of line would have to develop under Pakistan military rule. Under these conditions seeds of disturbance would continue to be there as tribal people would not change their basic sense of values. He had noted this same characteristic in many of the representatives of new African nations. They were elated at their independence and think unfortunately of little else. Many, he said, showed no sign of awareness of basic problems affecting their people and country. Many of these new states had really no historical or cultural background yet they cherished their national identity above all else. He asked that we try to understand real force of such nationalistic feeling.

I assured Naim that we would continue to search for ways of being helpful. I knew that President's interest had come out of a deep personal feeling that disputes between non-Communist nations in this part of world were extremely dangerous, not only for nations themselves, but for the peace and stability of the entire area.

Postscript: This message should be read with knowledge that we receiving many reports, which we inclined to accept, that Naim has submitted his resignation after serious controversy with Daud. King supposedly refused to accept and matter in abeyance until his return. Most plausible version of difficulties is that Naim returned from New York in bitter mood over Daud's recent ill-conceived moves across border concerning which he had not been fully apprised. On other hand Daud upset at Naim for not taking advantage General Assembly to take strong stand on Pushtunistan issue. We wonder whether Naim's refusal to do so may have resulted from his encouragement following talk with President. If so, his disappointment at President's reply understandable and he may return to post-Rawalpindi mood of feeling we have let him down personally. His general mood during talk seemed to reflect view that Department of State had thrown cold water on previously encouraging initiative by the President.

Byroade

CEYLON

U.S. POLITICAL AND ECONOMIC RELATIONS WITH CEYLON; U.S. CONCERN WITH POLITICAL INSTABILITY IN CEYLON¹

179. Memorandum of a Conversation, Department of State,
Washington, January 20, 1958²

SUBJECT

Ceylonese Need for Flood Rehabilitation Assistance

PARTICIPANTS

R. S. S. Gunewardene, Ambassador of Ceylon
William M. Rountree, NEA
Armin H. Meyer, SOA
Rufus Burr Smith, SOA

The Ambassador of Ceylon called, at his request, and expressed the gratitude of his government for the emergency aid rendered by the U.S. during the recent floods in Ceylon.³ He said that the Navy personnel conducted themselves in an excellent fashion and had won the hearts of the Ceylonese people. He was pleased that Western countries, including the U.S., had been the first to offer effective assistance in Ceylon's emergency.

According to the Ambassador, initial estimates of damage exclusive of food losses amounted to 650 million rupees. The Government of Ceylon is now planning to raise foreign loans and credits for approximately one billion rupees for rehabilitation purposes. As evidence of the extensive damage from the flood, he said that at least 350,000 people had been rendered homeless. In addition to the immediate damage, the floods had stopped progress on development projects, which would result in further loss of anticipated production.

¹ For previous documentation, see *Foreign Relations, 1955-1957*, vol. VIII, pp. 259 ff.

² Source: Department of State, Central Files, 846E.49/1-2058. Confidential. Drafted by Smith.

³ The International Cooperation Administration announced on January 2, 1958, that the United States was sending 10,000 tons of wheat flour to Ceylon for relief and rehabilitation. (Department of State *Bulletin*, January 20, 1958, p. 94)

The Ambassador said that he wished to inquire as to the possibility of further U.S. assistance to help Ceylon in rehabilitation. He specifically requested that the U.S. consider the possibility of supplying 30,000 tons of flour per year for three years under Title II of PL 480.⁴ He also hoped that it would be possible to supply some rice, although he realized that U.S. stocks of rice are limited. Lastly, he expressed the hope that the U.S. would be able to grant Ceylon assistance for rehabilitation in the form either of grants or long-term loans.

Mr. Rountree replied that the U.S. Government was interested in helping Ceylon. Our Embassy in Colombo is reporting fully on the situation and has already suggested that additional flour will be needed. The details of possible additional assistance are under active consideration, but the precise form of possible aid cannot be determined until more information as to the exact requirements is received from the Government of Ceylon. He assured the Ambassador that request for rehabilitation assistance from his government would be given the most careful and sympathetic consideration by the U.S.

The Ambassador then turned to a general and fairly vague discussion of political trends in Ceylon. He stated that he was concerned at the increasing extent of Communist activity and propaganda which is now reaching out into the Ceylonese villages. In his opinion, Mr. Philip Gunawardena, Minister of Food and Agriculture, is a complete Marxist [*1 line of source text not declassified*]. While the recent floods have resulted in a great loss, the Ambassador hoped that the people of Ceylon would be brought to a greater appreciation of the value and nature of their contacts with the U.S. and the Western world.

The Ambassador closed by stating that he would be leaving the U.S. in April to take over his duties as Ambassador in London.

⁴ Agricultural Trade Development and Assistance Act of 1954, approved on July 10, 1954. (68 Stat. 454)

180. Despatch From the Embassy in Ceylon to the Department of State¹

No. 783

Colombo, February 17, 1958.

SUBJECT

Call on Prime Minister S.W.R.D. Bandaranaike by Assistant Secretary Rountree and Ambassador Gluck

On February 13, while on a short visit to Colombo, Assistant Secretary of State William M. Rountree accompanied by the Ambassador made a courtesy call on Prime Minister Bandaranaike. During the course of the call the Prime Minister attempted to explain Ceylon's policy of neutrality and to give the rationale of Ceylon's recent political and economic development.

Bandaranaike began by declaring that the United States had been "pitched" into its present position of world responsibility somewhat against its will. The United States was a relatively new country and had followed a policy of isolation for such a long time that it really was not familiar with and did not understand developments in the Asian countries.

The Asian countries and particularly Ceylon were both old and new. Ceylon had had an ancient civilization of its own, but it had been subjected to the colonial rule of the Portuguese, the Dutch and then the English, and then had become a newly independent nation along with many of the other Asian countries in the last ten years. Bandaranaike said that Ceylon's outlook was made up of three elements: (1) political; (2) economic; (3) cultural.

(1) Ceylon's political approach was a mixture of both East and West. Ceylon, like India, had followed democratic procedures in the villages for centuries, even though the rule of tyrannical kings had been superimposed on the village structures. The people of Ceylon therefore were sympathetic with Western democratic practices, and wanted Ceylon to develop along democratic lines. The Government of Ceylon therefore could be expected to continue on Western democratic principles.

(2) Ceylon's economic approach was socialist. The people of Asia were very poor and people who lived below the "poverty line" would follow whoever promised the most. The future economic development of Ceylon therefore would be on socialist principles subject to the democratic process, i.e., democratic socialism.

¹ Source: Department of State, Central Files, 110.15-RO/2-1758. Official Use Only.

(3) Ceylon's cultural approach was nationalist. This was an expression of the people's desire to return to their own customs, habits, religion, dress and language.

In discussing Ceylon's international posture, the Prime Minister reverted to his theme that the Asian countries were both old and new and said Ceylon, like many others, believed that it could learn from other countries of the East and the West, could acquire something of value from each, and therefore Ceylon did not want to become a member of any power bloc.

In a general statement on communism the Prime Minister declared that it had different meanings in different countries, citing the cases of the U.S.S.R., Yugoslavia and the C.P.R. In the case of the Soviet Union, Bandaranaike said that the Government had distorted the basic principles of communism. Nevertheless, Communism was a "dynamic" force not subject to "containment". The United States should not rely on containment, but should try "conversion".

Mr. Rountree responded by explaining the U.S. attitude toward the honestly neutral countries and its own reliance on the principles of collective security.

Comment:

The Prime Minister had read in a recent issue of *Time*² that Mr. Rountree was visiting Ceylon to ascertain personally whether Ceylon might become another Syria. Mr. Bandaranaike therefore endeavored to leave the belief that Ceylon is not going communist, although he was not certain in this period of "transition" just where Ceylon would finally go. In the Embassy's view, Mr. Rountree's lucid explanation of U.S. policy was extremely helpful.

For the Ambassador:
Henry T. Smith
Deputy Chief of Mission

² Reference is to an article entitled "Conflict and Complacency," published in *Time*, February 10, 1958, p. 30.

181. **Memorandum of a Conversation, Department of State,
Washington, February 27, 1958¹**

SUBJECT

Review of Ceylonese Situation

PARTICIPANTS

Mr. R.S.S. Gunewardene, Ceylonese Ambassador
Mr. Annesley de Silva, Counselor, Ceylonese Embassy
Mr. William M. Rountree, NEA
Lewis Hoffacker, SOA

Calling at his request, the Ceylonese Ambassador sought Mr. Rountree's comment on the latter's recent visit to Ceylon.²

Mr. Rountree replied that the Prime Minister, using the recent article on Ceylon in *Time* magazine as a point of departure, spoke at length concerning the merits of democratic socialism, neutrality, and the maintenance of spiritual and cultural values. Mr. Rountree used this opportunity to convey to the Prime Minister the U.S. position regarding collective security and genuine neutrality, adding that some countries were able to indulge in neutralism because the U.S. and its Allies chose to stand up and be counted. On the whole, Mr. Rountree was reassured concerning the cordiality of U.S.-Ceylonese relations, particularly in some Ceylonese quarters which had only recently been less than friendly toward the U.S. It was gratifying, as well, to note that Ambassador Gluck had developed warm, close relationships with a wide circle of Ceylonese officials and others.

Ambassador Gunewardene said that Ceylon greatly appreciated U.S. assistance during and following the disastrous floods of December, 1957.³ He was confident that this American aid had left a favorable and lasting impression on the vast majority of Ceylonese, who now knew their true friends. The Ambassador asked if it was possible to anticipate future U.S. assistance in response to the substantial Ceylonese request for aid in the economic rehabilitation program now underway. Mr. Rountree spoke of Congressional limitations to committing the U.S. Government financially for more than one year in advance but gave assurances that Ceylonese requests continued to be reviewed sympathetically.

¹ Source: Department of State, Central Files, 746E.00/2-2758. Confidential. Drafted by Hoffacker.

² See *supra*.

³ On February 26, the Department of State announced that a further gift of 30,000 metric tons of foodstuffs had been offered on February 25 to the Prime Minister of Ceylon, under the authority of P.L. 480, Title II. See Department of State *Bulletin*, March 17, 1958, p. 426.

Referring to speeches he delivered last summer in Ceylon, the Ambassador said he was “the first” Ceylonese to contrast the U.S. favorably with the USSR and to do so at great risk to his career. Since then, others have found courage to speak up against “subtle communist subversion” of both domestic and international origin. With regard to reports of the Prime Minister’s annoyance with Minister of Food and Agriculture Gunawardena, the Ambassador expressed doubt that the former would face the issue squarely [*less than 1 line of source text not declassified*]. The Ambassador did not believe that the recently enacted paddy lands bill would lead to collectivization, principally because of the firm attachment of the peasant to the soil and his reluctance to [accept] a land tenure change such as Philip Gunawardena apparently had in mind.

182. National Intelligence Estimate¹

NIE 54–58

Washington, March 18, 1958.

THE OUTLOOK FOR CEYLON

The Problem

To estimate probable political and economic developments in Ceylon and Ceylon’s foreign policy during the next few years.

Summary and Conclusions

1. The present nationalist-neutralist government of Prime Minister Bandaranaike came to power in 1956, when the electorate decisively repudiated the former pro-Western, upper-middle-class govern-

¹ Source: Department of State, INR–NIE Files. Secret. National Intelligence Estimates were high-level interdepartmental reports appraising foreign policy problems. NIEs were drafted by officers from those agencies represented on the Intelligence Advisory Committee, discussed and revised by interdepartmental working groups coordinated by the Office of National Estimates of the CIA, approved by the IAC, and circulated under the aegis of the President to appropriate officers of cabinet level, and the members of the NSC. The Department of State provided all political and some economic sections of NIEs.

According to a note on the cover sheet, the following intelligence organizations participated in the preparation of this estimate: the CIA and the intelligence organizations of the Department of State, Army, Navy, Air Force, and The Joint Staff. All members of the IAC concurred with the estimate on March 18 with the exception of the representatives of the Atomic Energy Commission and the Federal Bureau of Investigation. Those representatives abstained since the subject being considered was outside their jurisdiction.

ment. The Bandaranaike government has been seeking to establish an independent position in foreign affairs and to remove vestiges of Ceylon's colonial past. While remaining in the Commonwealth, it has induced the UK to give up previously granted base rights on this strategically located island and has rapidly developed diplomatic, cultural, and economic relations with the Sino-Soviet Bloc. (Paras. 11, 42, 46)

2. Prime Minister Bandaranaike and a majority of his cabinet are moderate socialists, but his government includes radical leftist elements, including a group led by Philip Gunawardena that aims at establishing a communist state in Ceylon. Despite growing opposition to Gunawardena's more radical proposals, we believe the chances are somewhat better than even that the coalition will hold together until the elections required by April 1961. However, labor unrest, strikes, and Tamil-Sinhalese tensions will probably continue to plague the present government within this period. (Paras. 12-17, 31, 34)

3. Ceylon's economic situation has deteriorated during the past two years as a result of crop losses and declining export earnings. Moreover, over the long run, the country's food production and export earnings probably cannot keep pace with the rapid rate of population growth which has developed since the war. In this situation, the government will almost certainly continue to seek foreign assistance on the best terms available from any source. (Paras. 33, 37-39, 40)

4. Sino-Soviet Bloc interest in Ceylon has markedly increased in the past year and a half. The Bloc has taken advantage of the Bandaranaike government's willingness to expand economic, political, and cultural relations. This is evidenced by the establishment in Ceylon of Soviet, Chinese Communist, and Czech embassies during 1957-58 and by Ceylon's initial acceptance of \$60 million in foreign assistance from the Bloc during the past year. (Paras. 40, 46)

5. The three indigenous communist groups in Ceylon have considerable influence but are hampered by mutual antagonism—one is in the government coalition, another is the leading opposition party, and both are distinct from the orthodox Ceylon Communist Party. Although the communists currently lack substantial support among the rural Sinhalese mass, they control almost all of the urban trade union movement and are endeavoring to extend their influence in rural areas. (Paras. 19-21)

6. Radical leftist and communist influence is likely to expand within the government and in the country at large because of Bandaranaike's tendency to compromise, the declining standard of living, and increasing Sino-Soviet Bloc activities. However, it is unlikely that the communists could win an election or form an effective government within the next few years. Over the longer run there is a

danger that the general leftward tendency in Ceylon may lead it beyond its present neutralist policy to a position unfriendly to the West. (Paras. 8, 17, 23)

Discussion

[Here follow Sections I, II, and III.]

IV. External Affairs

Relations with the West

41. Before the coming to power of Bandaranaike's government, Ceylon's economic and political relations were mainly with the West, principally through the island's membership in the British Commonwealth. Shortly after independence Ceylon negotiated a mutual defense agreement with the UK whereby the UK assumed major responsibility for the island's defense, using Ceylonese naval and air bases and communications facilities. The UNP governments, especially under Sir John Kotelawala, were generally pro-Western and anti-Communist.

42. The change which has taken place in Ceylon's foreign policy under Bandaranaike, in response to the upsurge of nationalist-neutralist sentiments revealed in the 1956 election, has been much sharper than that in domestic policy. In November 1957 Ceylon got the British to agree to withdraw from the naval and air bases, although it did not repudiate the other aspects of the defense agreement, such as British provision of military advisors and the sale of equipment to the Ceylonese forces.² Although Bandaranaike has not broken the Commonwealth tie, he has begun the process of transforming Ceylon from a dominion into a republic. The Bandaranaike government has openly embraced neutralism, associated itself with Afro-Asian nationalist aspirations, and developed much closer relations with the Sino-Soviet Bloc. Despite the role of its representative in drafting the UN report condemning Soviet aggression in Hungary, the Bandaranaike government refused to vote for approval of the report in the General Assembly.

43. Believing that it has established an independent position in foreign affairs, the Bandaranaike government is unlikely to seek further to dissociate itself from the West. With respect to participation in

² The UK retains limited access rights to the bases for the next five years but cannot use them for military purposes without Ceylon's consent. All Royal Navy facilities and stores are expected to be withdrawn by September 1958—probably to Mombasa or Singapore. The British are attempting to compensate for loss of the bases by developing communications and airfield staging facilities on Gan, one of the Maldivé Islands about 600 air miles southwest of Colombo. A World War II airfield has already been re-established and programmed construction is expected to be completed by January 1959. [Footnote in the source text.]

Commonwealth affairs, Ceylon will probably be inclined to follow Nehru's lead. Relations with the UK will probably continue to be strongly influenced by important economic ties. However, being committed to a policy of neutralism, the Bandaranaike government is unlikely to make the air and naval bases available again to the West.

44. The US has had relatively little contact with Ceylon, but the dramatic assistance extended in connection with the disastrous floods in late 1957 has made a favorable impression on the people. The relatively small economic assistance program which has been in effect since 1956 has been received gratefully, and the government will probably continue eager to obtain more US aid, both because of its realization that future development of the island will depend to a high degree on external assistance and because of a desire to protect its neutrality by balancing Western aid against that expected from the Sino-Soviet Bloc.

45. Some criticism of the Voice of America installation in Ceylon has occurred during the past year and a half, and some attempts at censorship have occurred, on the ground that its use of anti-Communist material compromises Ceylon's neutralism. Further attempts to restrict US freedom of operation may develop, especially if leftist influence increases in the government. However, Bandaranaike will probably remain unwilling to jeopardize future US economic assistance by forcing abandonment of the installation.³

Relations with the Sino-Soviet Bloc

46. The Bandaranaike government has removed almost all of the restrictions on Ceylonese contact with the Bloc which were imposed by the previous regime, and diplomatic, cultural, and economic relations between Ceylon and the Bloc have expanded rapidly in the past year and a half. Soviet and Chinese Communist embassies were established in 1957 and a Czech embassy in 1958. Their staffs take an active part in Colombo's social and cultural life and frequently visit outlying parts of the country. Through trade union groups, representative members of the Colombo working class have been invited to lavish parties at the Communist missions. Some 600 Ceylonese have visited Communist countries and a number of Soviet and Chinese Communist cultural delegations have toured Ceylon. Communist literature and propaganda, formerly restricted, is flowing into Ceylonese bookshops and the press in increasing quantity.

³ The VOA installation at Colombo consists of three 35 kw transmitters, one of which is used by Radio Ceylon. Ceylon realizes a profit of close to \$200,000 per year from rental fees and may purchase the entire installation in 1961 at an agreed price. The VOA transmitters provide a particularly clear signal for broadcasts beamed to India, Pakistan, East Africa, and the Middle East. [Footnote in the source text.]

47. Ceylonese-Bloc relations will probably continue to expand for the next few years. The leftist elements within the government may be expected to continue to work for closer ties. There is general recognition among all parties that the country's future depends heavily on external assistance for development, and it is generally felt that such assistance should be sought from the Bloc as well as from the West.

48. If, as appears likely, Ceylon becomes more hard-pressed to find adequate financing for its food imports and a market for its exports, the country could become seriously vulnerable to Bloc economic penetration over the longer run. This will be particularly true if the Soviet Union implements its offer to take a large part of Ceylon's rubber output over a 10 to 15 year period, and if Ceylon continues to be dependent upon Communist China for a substantial part of its rice supply.

49. In offering assistance, the Bloc will probably continue to seek to identify its international interests with those of Ceylon and to reduce Western influence on the island. Bloc officials are likely to avoid becoming involved in any Communist attempt to take over the government illegally, since such activity in Ceylon, as in India, would probably be counterproductive to present Bloc interests.

Regional Relations

50. Ceylon's most significant regional relations are with India. These relations are subject to two conflicting influences: (a) traditional Ceylonese fear of India, focused over the past decade on the problem of the Indian Tamil minority, and (b) each government's approval of the other's socialist and neutralist policies. Most Sinhalese fear the potential political strength of the Tamil community and resent the Indian Government's continuing manifestations of interest in the status and future of the Indian Tamils. On the other hand, Bandaranaike's personal relations with Nehru are apparently close and Bandaranaike frequently seeks Nehru's advice on international issues.

51. Ceylonese-Indian relations will almost certainly remain cordial for the next few years. Each side will probably seek to avoid provoking the other on the Indian Tamil question for the time being. India would probably try to bolster Bandaranaike in the event of a major challenge to him by either communist or old-style conservative forces. In the longer run, however, if Ceylon is unable to provide for its rapidly increasing population, Sinhalese pressures against the Indian Tamils will almost certainly be intensified and the issue between the two governments will probably become much more acute.

52. Bandaranaike is determined to establish Ceylon's position as a member of the community of independent Asian nations. Relations with the other countries of South and Southeast Asia are likely to become somewhat closer in the next few years, mainly through ex-

panding diplomatic missions and an increasing exchange of official visits. This will probably be especially true of countries, such as Burma, with which Ceylon is connected through trade and the common tie of Buddhism. Ceylon prizes its UN membership, achieved only in 1955, and may be expected to take an increasingly active part in UN affairs, especially through the joint efforts of the Afro-Asian Bloc, with whose aspirations Bandaranaike has frequently expressed sympathy. In the foreseeable future, however, Ceylon is unlikely to become a major factor in determining the pattern of relations among countries of the area.

183. Telegram From the Embassy in Ceylon to the Department of State¹

Colombo, May 17, 1958—noon.

742. GovGen Sir Oliver Goonetilleke called Ambassador to meeting yesterday at which Prime Minister Bandaranaike, Finance Minister De Zoysa, Treasury Secretary Amerasinghe and acting Permanent Secretary Ministry External Affairs Tennekoon were present.

GovGen stated Ambassador would understand importance meeting by fact top level GOC officials present.

He handed Ambassador aide-mémoire, text of which transmitted separately (Embtel 753)² and then made presentation along lines of aide-mémoire. GovGen emphasized GOC particularly wanted Ambassador go to Washington to support aid request.

Prime Minister spoke at length on "crucial" nature next budget. Declared political situation critical and government must increase development expenditures immediately or government might fall and "more extreme" government would follow. When asked how crisis could exist with government holding such large parliamentary majority, Prime Minister replied crisis was extra-parliamentary. The country was fraught with tensions, unemployment and underemployment were pressing problems and government must act or be forced go to people for new elections. Declared large development projects would relieve communal tensions as well as unemployment, et cetera.

¹ Source: Department of State, Central Files, 746E.5-MSP/5-1758. Confidential.

² Telegram 753 from Colombo, May 17, transmitted the text of the aide-mémoire from the Government of Ceylon. The aide-mémoire gave specific budgetary figures to illustrate Ceylon's need for economic assistance. (*Ibid.*, 746E.5-MSP/5-1758)

Prime Minister re-emphasized political trend had been sharply to left, UNP had no real support and government must act or country would go Communist for lack any other way to go. Government believed trend must be checked. Government therefore had made “unanimous” decision to make public declaration there would be no question of nationalizing foreign investments for next ten years. Nationalization existing plantations would not be considered for five years.

Prime Minister declared he had resisted suggestions of obtaining aid from other governments because GOC wished not to be obligated to “extreme elements”. He believed that \$50 million in assistance would take GOC through crisis.

In course questioning it became apparent that GOC believes substantial developmental projects must be begun now in order for results be visible by next elections three years hence.

At end discussion GovGen and Prime Minister decided instruct Ambassador RSS Gunewardene make initial call on Department next Wednesday to present aid request.³

Comment: We believe that present government has lost popularity, political situation is critical, government is in financial straits and substantial progress must be made before next elections or new political coalition will take power. Present position of GOC is precarious, but if it shows progress next year it should at least hold its present support.

We will make recommendations after receiving report Gunewardene’s presentation to meet next week. [*sic*]

Ambassador presently prefers not go to Washington to support request. Canadian HICOM Cavell immediately followed Ambassador to receive similar request from GovGen, Prime Minister and others. Ambassador expects to discuss with Cavell today.⁴

Gluck

³ On May 21, Ambassador Gunewardene called at the Department of State to discuss the proposed visit of a financial mission from the Government of Ceylon to discuss the question of additional U.S. assistance to Ceylon. (Memorandum of conversation by Rufus Burr Smith; *ibid.*, 746E.5–MSP/5–2158)

⁴ Telegram 796 from Colombo, May 19, reported the results of the discussion between Ambassador Gluck and Canadian High Commissioner Nik Cavell. The Embassy noted that Cavell believed it important for the United States and Canada to make a significant response to Ceylon’s request for aid. (*Ibid.*, 846E.10/5–1958)

**184. Memorandum of a Conversation, Department of State,
Washington, May 27, 1958¹****SUBJECT**

Ceylon's Request for Additional Financial Assistance

PARTICIPANTS

Mr. Stanley de Zoysa, Finance Minister of Ceylon
Mr. R. S. S. Gunewardene, Ambassador of Ceylon
Mr. Douglas Gunasekera, Ceylon representative, IMF-IBRD
Mr. Rajendra Coomaraswamy, Assistant Secretary, Ministry of Finance, Ceylon

Mr. Douglas Dillon, W
Mr. George Springsteen, OFD:ED
Mr. Rufus Burr Smith, SOA

The Finance Minister stated that he was instructed to convey the greetings of the Prime Minister of Ceylon to the U.S. Government and to express the Prime Minister's gratitude for U.S. assistance that has been generously afforded to his country. In this spirit the Prime Minister has felt that he could turn to the U.S. for further assistance in Ceylon's present crisis. The main purpose of the Finance Minister's approach is to obtain additional financial assistance.

According to the Finance Minister, the core of Ceylon's present problem is political and the present request for financial aid should be understood in these terms. The national movement in Ceylon which produced independence, also had, as a clearly expressed objective, the economic uplift of the country. However, political freedom did not bring effective economic results and Ceylon's early leadership in large part neglected the interest of the common man. As a result, economic issues were politically championed by younger personalities who were primarily revolutionary Marxists. As a result of dissatisfaction, in 1956 a new coalition government came into power. The people expected that promises of economic betterment made by the Marxists would be

¹ Source: Department of State, Central Files, 746E.5-MSP/5-2758. Confidential. Drafted by Smith.

On May 23, Ambassador Gunewardene wrote to Secretary Dulles, asking him to "see that all possible steps are taken to help my Government to tide over this most difficult situation." (*Ibid.*, 846E.10/5-2358) On the same day, Gunewardene also transmitted a letter to President Eisenhower from Prime Minister Bandaranaike which reads as follows: "Your Ambassador here as well as my Ambassador in Washington will be placing before your Government certain urgent and critical problems that have arisen in respect of the Budget which my Government has to place before our Parliament early in July. In view of the grave importance to us that these discussions should be successful, I am sending the Finance Minister himself to represent me and to lead the Ceylon Delegation. My Government is most grateful for the sympathetic interest you have shown in the solution of our problems. I commend for your earnest consideration the request for assistance and aid which my Finance Minister will be making personally." (*Ibid.*, 846E.10/5-2358)

fulfilled. However, in the past two years the Government of Ceylon has hardly been given a chance to achieve improvements because of strikes and unrest initiated by the Communists. What little had been achieved, has been, in large part, offset by the effects of the recent disastrous floods.

As a consequence, popular demand for immediate economic development is now very strong and the government believes that its present development budget is crucial. If results are not produced, there is a strong likelihood of a further shift to the radical left in government. Further, development takes some time to become effective and if a beginning is not made now, the government will have little to show when it faces elections in two or three years.

The Finance Minister also pointed out that Ceylon has achieved a high level of social services for Asia. These services have been allowed to deteriorate in the past two years. Consequently, it is also necessary for political purposes to increase budgetary appropriations for such uses as health and education in the current year.

The over-all result in financial terms is a budget which is in deficit by some rupees 450 million of which the Government of Ceylon can cover only approximately rupees 200 million by borrowing and from existing aid sources. It is to meet this deficit that the Finance Minister is now appealing for further aid from the U.S. and Canada. The primary objective in Ceylon's program is to keep their country from the grip of communism.

Mr. Dillon informed the Finance Minister that development aid is normally extended through loans from the Export-Import Bank and the DLF. He noted that the DLF has approved a number of loans to Ceylon amounting to more than \$3 million and is also considering an application for a cement plant. He inquired whether other projects have been prepared for presentation noting that the U.S. Government is, of course, interested in helping any country to development, particularly if it has the capacity to absorb funds and is animated by a desire to maintain its own freedom. In this sense, the U.S. always considers the political justification for economic assistance.

The Finance Minister recognized that it might be difficult for the U.S. to extend substantial additional assistance at this particular time. He inquired as to the reaction of the U.S. Government to an attempt by Ceylon to float a loan with private American banks. Mr. Dillon assured the Minister of the general approval of the U.S. Government for such a course of action, noting that a number of such loans are now being considered for other countries.²

² On May 28, these four Ceylonese representatives met with officials of the Export-Import Bank, along with Rufus Burr Smith of the Office of South Asian Affairs. De Zoysa presented substantially the same case to these officials that he made to Dillon. In reply, one of the Bank officials commented on the "sound basic financial situation of

**185. Memorandum of a Conversation, Department of State,
Washington, May 28, 1958¹**

SUBJECT

Ceylon's Request for Additional Financial Assistance

PARTICIPANTS

Mr. Stanley de Zoysa, Finance Minister of Ceylon
Mr. R.S.S. Gunewardene, Ambassador of Ceylon
Mr. Douglas Gunasekera, Ceylon representative, IMF-IBRD
Mr. Rajendra Coomaraswamy, Assistant Secretary, Ministry of Finance
Mr. William M. Rountree, NEA
Mr. Rufus Burr Smith, SOA

The Finance Minister said that in general financial terms the problem Ceylon faces is a deficit in its forthcoming budget of approximately \$50 million. The Government of Ceylon does not believe that it can reduce its expenditures because of the political pressures now evident.

The people of Ceylon at the time they were conducting their struggle for independence, expected that freedom would produce substantial economic improvement. This expectation has been disappointed in the succeeding years, with a result that revolutionary Marxists have seized on this discontent and produced a powerful Communist opposition to the present government.

Nevertheless, the people of Ceylon were not prepared to put Marxism into full control of the government at the time of the last election. Instead they expected the present government to produce a measurable improvement in economic conditions. Unfortunately, the government has not been able to achieve a great deal in economic terms in the two years that it has been in power. This has been due to two causes: deliberate Communist harassment through strikes and other disturbances, and the disastrous floods of the last year. As a consequence, the present government can, at this time, show very little in the way of economic improvement.

Because of this background, the present budget is considered as crucial. It is impossible to postpone economic progress any longer and the government must have a record of solid achievement by the time of elections three years hence. Failure on the economic front will, in the opinion of the present leaders, produce a turn to the left and a failure of democratic government in Ceylon. This problem is believed to be so crucial as to be of concern to friendly foreign governments as

Ceylon," and advised de Zoysa to first talk to private American banks about loans. (Memorandum of conversation by Smith; *ibid.*, 746E.5-MSP/5-2858)

¹ Source: Department of State, Central Files, 746E.5-MSP/5-2858. Confidential. Drafted by Smith on May 29.

well as to Ceylon's leadership. The history of past relations between Ceylon and the United States has, therefore, led the Prime Minister to expect understanding and sympathy from the United States in Ceylon's present crisis.

Mr. Rountree assured the Finance Minister that he would find American officials aware both of the economic problems of Ceylon and of their political implications. The United States has long recognized the importance of concrete economic results as a foundation for political stability. It has been a source of satisfaction to the U.S. Government that it has been able, in the past, to make a contribution to progress in Ceylon. He expressed pleasure that Ceylon is among the first nations to receive loans from the Development Loan Fund and also noted the usefulness of PL 480 in meeting the current problem.

Mr. Rountree pointed out that the American Government is now in the process of presenting its foreign aid requests to Congress. Although we do not know the exact results that will be obtained, it seems clear that some resources will be available next year to carry forward our aid program in Ceylon. He assured the Finance Minister of a sympathetic response for additional Ceylonese applications for DLF and PL 480 assistance as such requirements emerge from future technical discussions. Such applications will also be considered in the context of the political background and justification given by the Finance Minister.

The Finance Minister expressed his gratification for the assurances given by Mr. Rountree and it was agreed that additional discussions might be desirable as technical talks progressed. The Minister noted that U.S. Government funds are somewhat restricted at this time, and inquired as to the reaction of the U.S. Government to an attempt by Ceylon to raise loans in the private sector. Mr. Rountree assured him that we would encourage such an approach, noting that Ceylon's credit rating is high.

The Ambassador of Ceylon inquired whether money might be available either this year or next from the special assistance fund.² Mr. Rountree informed him that this year's appropriation was exhausted and that we do not know as yet the amount that will be appropriated for the coming year.

The Finance Minister informed Mr. Rountree that the rioting now taking place in Ceylon³ was not as serious as had been reported in

² Apparently a reference to the President's special assistance fund authorized by Section 400 of the Mutual Security Act of 1954, as amended. (71 Stat. 360)

³ On May 23, a series of severe Sinhalese-Tamil communal disorders began. The Government of Ceylon imposed a state of emergency on May 27. In a report on the rioting, the Embassy in Colombo noted that much of the violence was "pure hooliganism carried out by irresponsible elements in orgy of lawlessness." (Telegram 771 from Colombo, May 27; Department of State, Central Files, 746E.00/5-2758) As a result of the disorders, "and consequent uncertain political developments to follow," the Em-

American newspapers. Most of the difficulty, in his opinion, was due to hooliganism rather than to political dissatisfaction.

bassy recommended that no additional commitments be made to the Government of Ceylon for the time being. (Telegram 789 from Colombo, May 31; *ibid.*, 746E.5-MSP/5-3158)

186. Memorandum of a Conversation, Department of State, Washington, June 6, 1958¹

SUBJECT

Ceylon's Need for Additional Economic Assistance

PARTICIPANTS

The Secretary
 Mr. Stanley de Zoysa, Ceylonese Finance Minister
 Mr. R.S.S. Gunewardene, Ambassador of Ceylon
 Mr. Philip K. Crowe, S
 Mr. William M. Rountree, NEA
 Mr. Frederic P. Bartlett, SOA

The Ceylonese Finance Minister opened the conversation, which had been arranged at the request of the Ceylonese Embassy, by expressing the gratitude of his Government and of his country for the economic assistance which had been so generously given by the United States, particularly in connection with flood relief. The Government of Ceylon was still faced with a serious problem and was turning to its known friends for help. The Finance Minister himself was here to explain the problem and to stress the political aspects of it. He already had the opportunity to do this in some detail in a meeting the previous week with Mr. Rountree. Basically it could be summarized very briefly. It was simply that if the Government could not satisfy the common man, there very well might be a sharp swing in Ceylon to the extreme left. It was for this reason that the Government of Ceylon felt it impossible to reduce its social welfare expenditures in order to divert the resources allocated for them to longer term development purposes. The Finance Minister inquired whether the Secretary wished him to go into more detail regarding the situation.

¹ Source: Department of State, Central Files, 746E.5-MSP/6-658. Confidential. Drafted by Bartlett.

The Secretary indicated that he believed it was not necessary to review the details which had already been discussed at some length with Mr. Rountree and other United States Government officials. He inquired, however, whether fundamentally the Ceylonese economy was not in fairly good shape. This was true, the Finance Minister replied. Even Ceylon's external assets were sufficient, at least for immediate needs, but he did not wish to draw down the country's basic reserves of foreign exchange at this time.

The Secretary expressed appreciation of Ceylon's budgetary position, noting that the United States also had budgetary problems of its own. At present the two principal sources of funds for United States foreign assistance were the Export-Import Bank and the Development Loan Fund, but the latter was faced with applications involving a much larger amount than it had resources to provide. The Secretary continued that the United States Government was currently going through the complicated legislative procedure required to provide additional resources for the Development Loan Fund, noting the difference between authorizing and appropriating legislation. As far as the general Mutual Security program was concerned, the Congress had not yet even approved the authorizing Act. He did not know if, in connection with the Development Loan Fund, the Congress would eventually appropriate the full amount as authorized last year. It was shocking, the Secretary said, that the nations of the world could not reach agreements which would bring a stop to the terribly expensive arms race and permit them to divert the resources involved therein to increasing the general welfare of their people. It would certainly be better to spend funds for aid to Ceylon, for instance, than for dropping missiles in the Atlantic Ocean. First, however, it was obvious that we must defend ourselves; otherwise, everything else would be of little avail. Thus, both the United States and Ceylon had their own problems. In their solution, it was necessary for both countries to help each other to the greatest degree possible.

The Secretary said that Ceylon's requests were being considered carefully and with understanding. He inquired whether the Finance Minister had discussed the possibilities of Export-Import Bank assistance, to which Mr. de Soyza replied affirmatively, indicating that a group was presently studying possibilities of aid from this source, although the "Buy America" limitation on its funds might pose a problem. This might be true, the Secretary replied, but in effect, if not legally, the Development Loan Fund also was itself under pressure to restrict its assistance to purchases from the United States.

The Secretary noted that the United States recognized the political problems which the Ceylonese Government faced. What he had said, however, was about all that it was possible for him to say at the

present time. The Secretary could not state in dollars and cents just what the United States might be able to do, but it would do its best. The trust of Ceylon in the United States had not been misplaced.

The Finance Minister thanked the Secretary for having received him and stated that, even if no financial help could be extended to Ceylon as a result of his talks here, his visit could not be considered as having failed; for it had given him an opportunity to meet American officials and to learn of the interest which the United State Government took in the welfare of his small country.²

² On June 27, the Department of State was instructed to deliver a letter from President Eisenhower to Prime Minister Bandaranaike, dated June 23, which reads in part as follows: "We welcomed the visit of your Finance Minister as your special representative and I am pleased that he had the opportunity of meeting Secretary Dulles and the heads of the various agencies of our Government concerned with economic assistance programs. I am informed that as a result of these meetings Ceylon's financial problems with respect to development are receiving careful consideration. We are approaching these problems with the same friendly interest that we displayed during the difficulties your country experienced because of the floods some months ago." (Telegram 880 to Colombo, June 27; *ibid.*, 846E.10/6-2758)

187. Despatch From the Embassy in Ceylon to the Department of State¹

No. 133

Colombo, July 29, 1958.

REF

Depcirtel 1043, May 5, 1958, for Chief of Mission²

SUBJECT

United States Aid to Ceylon for FY 1960; Analysis of United States Objectives and Programs

Objectives

United States objectives with respect to Ceylon as seen by this Embassy are broadly as follows:

¹ Source: Department of State, Central Files, 746E.5-MSP/7-2958. Confidential.

² Circular telegram 1043, May 5, included a request to the Chiefs of Mission for an analysis of U.S. objectives and the role of various U.S. and non-U.S. programs in fiscal year 1960 in achieving those objectives. (*Ibid.*, 120.171/5-558)

1. Control by a non-Communist government, friendly and cooperative with the United States, politically stable with broad popular support, and possessed of the perception, will and strength to resist the spread of Communism from within or its effective penetration from without;

2. A strong economy developing at a rate sufficient to convince the people that their economic aspirations can be fulfilled by democratic means;

3. Increasing association and cooperation by Ceylon with other non-Communist Asian countries and with the free world community.

4. Military strength sufficient to maintain law and order internally and thereby to contribute to area stability.

Problems

1. The domestic and foreign policies of the Government of Ceylon interpose many obstacles to the achievement of our objectives. The domestic policy of the Government is socialistic and its foreign policy is neutralist. There is wide-spread public support for such policies. Capitalism is thought of as imperialistic by nature and is generally associated with color and racial prejudice. There are broad areas of underlying apprehension and envy with regard to the United States because it is the strongest and wealthiest world power; it is the leading capitalist power and at the same time is allied with all of the former metropolitan imperialist countries. On the other hand the Soviet Union has enjoyed, in many Ceylonese minds, the position of a non-imperialistic country which has made great political, economic, social and scientific advances by revolutionary socialist methods.

2. Ceylon's policy of neutralism is one of expediency and not of principle. Problems of the cold war are examined, not on their merits, but with the objective of finding a position somewhere between the two sides which will be least difficult for Ceylon. It also is an openly acknowledged policy of getting the most possible from both sides—Prime Minister Bandaranaike in a recent statement in Parliament pointed to economic assistance from both the United States and from the Soviet Union as proof that his foreign policy had been successful.

3. The Government's domestic policies have been vacillating and weak; there has been much giving in to pressures rather than acting on principle; there has been a tendency to permit conflicts to worsen rather than try to stop them at the outset; and there has been much yielding to the mob rather than leading of the people.

4. A fundamental problem is that the economic aspirations of the people have far out-distanced the present productive capacity of the country, and in addition the population is increasing so rapidly as to imperil existing economic standards if the rate of economic development is not substantially increased.

5. In addition to all of the other problems which a newly-independent, politically immature, and economically weak country must face, Ceylon recently has been torn by communal strife between the Sinhalese and the Tamils of such intensity as to leave not only the Tamils, but also the other minorities deeply apprehensive of the future.

Political Perspectives

1. The problems confronting the Government and people of Ceylon and those confronting the United States with respect to Ceylon are not unique to this country, nor do they create such formidable difficulties as to convince us that we should change substantially our policies or programs.

2. There are many favorable factors. The rate of literacy in Ceylon is the highest in South Asia. Democratic processes and institutions are strongly grounded. Western culture, institutions and accomplishments are widely known and admired even though criticized. English is widely used. The economy is fundamentally sound and subject to great potential development. Politically, the people are still in a ferment, still confused and uncertain, still susceptible to influences, both good and bad. There is still a great chance for a political society favorable to United States interests to evolve. We can still make our influence felt.

3. The present government is working toward socialist goals domestically and follows a neutralist course internationally, and it is in our interest to recognize openly its unquestionable right to do so. However, we are under no obligation to assist the Government of Ceylon in attainment of its goals, and Ceylon's policies emphasize that the United States policies with respect to Ceylon should be established and implemented entirely on the basis of political criteria, that is, in terms of political return or advantage to the United States.

4. United States economic aid of course assists the present Government in its pursuit of socialist goals. Such aid could be substantially increased. However, many Ceylonese people oppose any United States assistance on the grounds that it is helping the present government, and that without our help the government might fall and a new government more favorable to the United States might be elected. Others, on the extreme left, oppose our aid because of the friendly and appreciative reaction which it evokes from other Ceylonese. The present government welcomes our aid because it urgently needs it, but at the same time in public statements it consistently attempts to balance United States assistance with that from the Soviet bloc. If we ceased our aid entirely it would be regarded publicly as an act of political interference and the leftward trend of the government might be accelerated. We would suffer a great loss of popularity with the general

public. The Embassy therefore concludes that the magnitude of economic aid extended by the United States should be on the basis of our best political judgment and should be limited to the minimum we can give and still make progress toward attainable political objectives.

Aid Criteria—Programs and Evaluation

1. United States economic aid to Ceylon should be large enough to be of recognizable benefit to the government and people, and of a nature to ensure the most widespread public relations impact. Within limits set by political criteria, it should be directed toward maximum economic benefit.

2. The most outstanding of our impact programs has been the school lunch milk and bun program conducted by CARE which not only has enabled the leaders of the Government of Ceylon to keep one of their campaign promises, but also provides a mid-day meal for 1,250,000 children in more than 6000 schools in Ceylon. It is very important that this program be continued in the future.

3. United States Government aid programs conducted by the USOM have been developed around the need for increasing food production, industrial development, improved communication and transportation, and education and health benefits. All of these programs are seen by the Embassy as making a positive contribution to the implementation of United States policy. The proposed FY 1960 expenditures are regarded as representing the minimum of a range of expenditures which might be justified in the present situation.

4. In addition to possible future emergency expenditures such as those connected with the floods of last December, we believe that United States economic assistance can be fully justified within a range of \$10 million to \$15 million annually, including grant technical assistance of about \$1.5 million, Development Loan Fund expenditures, the CARE school lunch program, and other assistance extended on the basis of surplus agricultural commodities. This is not out of proportion to aid received by Ceylon under the Colombo Plan and from the United Nations. It may be compared with the credit of Rs. 142.8 million (\$30,094,837) from the Soviet Union for financing goods and services from the Soviet Union for selected development projects over five years, and the grant of Rs. 15 million (\$3,161,222) annually over a period of five years from the People's Republic of China.

5. The United States economic aid program to Ceylon has been, and is expected to continue to be, of a political benefit to the United States considerably out of proportion to the actual funds involved. The excellent public relations and representational activities of the USOM leadership have of course contributed substantially to that benefit. At the same time it must be emphasized that the USIS has played a significant role in creating public understanding and appreciation of

our aid program as well as of other aspects of United States policy. Our USOM and USIS programs together make a contribution to the successful achievement of United States policy which would be impossible to either of them alone. Even so, we would emphasize that our USIS program, aside from its cooperation with USOM, helps make our policies successful to a degree far out of proportion to the relatively small sums of money involved.

Maxwell H. Gluck

188. National Intelligence Estimate¹

NIE 54-2-58

Washington, December 9, 1958.

THE OUTLOOK FOR POLITICAL STABILITY IN CEYLON²

The Problem

To estimate the outlook for political stability in Ceylon over the next few years.

Conclusions

1. Internal stability in Ceylon has deteriorated sharply under the present regime due to mounting political and economic problems and the weak leadership of Prime Minister Bandaranaike and his shaky socialist-neutralist coalition government. The outlook over the next few years is for little if any political or economic improvement, more strikes, and probably further rioting between the majority Sinhalese and minority Tamil communities. (Paras. 4-8)

2. Despite general lack of confidence in Bandaranaike's leadership, there is no ready alternative to him within the present Parliament. However, we believe that the Bandaranaike government will probably become increasingly vulnerable and that there is an even chance it will be voted out of office by Parliament before the end of its

¹ Source: Department of State, INR-NIE Files. Secret. According to a note on the cover sheet, the following intelligence organizations participated in the preparation of this estimate: the CIA and the intelligence organizations of the Departments of State, Army, Navy, Air Force, and The Joint Staff. All members of the U.S. Intelligence Board concurred with the estimate on December 9, with the exception of the representatives of the Atomic Energy Commission and the Federal Bureau of Investigation. Those representatives abstained since the subject being considered was outside their jurisdiction.

² Supplements NIE 54-58, "The Outlook for Ceylon," dated 18 March 1958. [Footnote in the source text. NIE 54-58 is printed as Document 182.]

full term in 1961. Bandaranaike might, moreover, be forced out either by the Governor General acting in an emergency situation or by a coup staged by military, police, and conservative elements.³ We believe that there will be no significant change in foreign policy under any likely successor government. (Paras. 9–11,14)

3. Communist influence in Ceylon will probably continue to increase despite the strong rivalry which exists between the three communist groups. We do not believe, however, that these communist groups, separately or together, will be able within the next few years to seize control of the government by extra-legal means—chiefly because of their small size and the almost certain opposition of the Governor General and the security forces to such a move. Nor do we believe it likely that any grouping of communists will win the next general election or dominate new government. However, “Trotskyite” leader, N. M. Perera who controls important elements of organized labor and is widely respected even in non-communist circles may be able to achieve an important place for himself and his party in a new government. (Para. 12)

Discussion

4. Ceylon has experienced a progressive deterioration in internal stability under the government of Prime Minister Bandaranaike. Serious economic difficulties have contributed to a decline in public confidence in the government. Long-standing tension between the majority Sinhalese community and the large Tamil minority has increased. The division of political forces among a number of erratic and highly competitive parties, including three rival communist parties, has complicated the island’s troubles.

5. The island’s economy has been badly weakened by inadequate food production, rising costs, growing unemployment, and an unusually high rate of population increase (about three percent annually). Foreign exchange reserves have been reduced as the result of rising imports and falling export earnings. The government’s economic development program has been poorly formulated and prosecuted. Threats of nationalization of key activities have resulted in a loss of confidence among Ceylonese and foreign businessmen.

6. In this situation, the weakness of the government is a major critical factor. The government is a coalition of divergent interests whose political and economic outlook ranges all the way from con-

³ On November 24, the Embassy in Ceylon reported rumors of a plot to establish a dictatorial government in Ceylon and liquidate leftists, particularly Philip Gunawardena. The coup allegedly had been planned for November 20. (Telegram 436 from Colombo, November 24; Department of State, Central Files, 746E.00/11–2458) Rumors and parliamentary charges about this matter continued into December; documentation is *ibid.*, 746E.00.

servative socialism to Marxist communism and which continues to be split within itself on major domestic policy issues. Bandaranaike has proven himself a weak and vacillating leader. Labor unrest and general disrespect for law and order have increased. The traditional political neutrality of the police and the armed services, which include diverse racial and religious groups, is probably now uncertain. The government's strongly pro-Sinhalese orientation has been a major factor in the rise of communal tension which culminated in May 1958 in bloody and widespread rioting between Sinhalese and Tamils.

7. In the face of Bandaranaike's ineffectiveness in controlling the rioting, Governor General Goonetilleke picked up the reins of leadership, declared a state of emergency, and apparently directed personally the widespread use of the security forces to restore order. The state of emergency has been maintained by the Bandaranaike government, although the Governor General has played a less active political role in recent months. As relative calm has been restored, less and less use has been made of the emergency powers.

8. The outlook is for continued discontent and further turbulence. Little if any significant economic progress can be anticipated. Bandaranaike shows little promise of ever giving the island strong leadership. The morale of the security services, already weakened by political interference and probably by the communal tension, is likely to continue to decline. We believe that this is particularly true of the police. Continued labor unrest is probable and the leaders of the communist parties will probably call further strikes in order to advance their political fortunes. Such strikes might become widespread. While the Sinhalese by virtue of their numbers clearly dominate the island, demands by Sinhalese extremists for further privileges and by Tamils for recognition of their interests will continue. We believe that severe and widespread communal rioting may erupt again at any time, especially after the state of emergency lapses, and might also involve violence against indigenous Christians and Westerners.

9. Despite general lack of confidence in Bandaranaike's leadership, there is no ready alternative to him in sight in the present Parliament. The conservative opposition in Parliament is small and lacks leadership, although the United National Party (UNP) has apparently regained some popular support in recent months. The leftist opposition in Parliament, although stronger than the conservatives, is also relatively small and lacking in cohesion. Although the government has lost some strength in Parliament, it continues to hold a small majority. However, the government will probably become increasingly vulnerable under Bandaranaike's weak leadership. Despite the desire of the major elements in the government coalition to stay in power, festering differences among them may lead to the government's downfall. On balance, we believe there is an even chance that Bandaranaike

will be voted out of office by Parliament before the end of his full term in 1961. In that event, there would probably be a call for new elections. Furthermore, if Bandaranaike, who has been reported in ill health, should die in office or be obliged to retire, the present coalition would probably not survive.

10. At the same time Bandaranaike may be removed from office by some other means before his term is over. If another major crisis develops, and if Bandaranaike again fails to respond to the situation, the Governor General might choose to assume power himself. In such an eventuality, the Governor General would probably seek to maintain a constitutional facade for his actions, and would probably have the support of the security forces and the civil service. He could probably provide effective government for the country at least for a short time. However, popular opposition to authoritarian rule and the small size and relatively limited capabilities of the Ceylonese police and military services would create strong pressures to restore some kind of representative government fairly promptly.⁴

11. There is a lesser chance that a group of leaders from among conservative elements and the military and police might attempt a takeover of the government without the leadership or support of the Governor General. Such a group might succeed in seizing power, but we do not believe that it would be able to maintain control of the country for very long. If a coup of this kind failed, the position of conservative elements would be badly damaged. In any event, the loyalties of the armed forces and police would be put to a severe test and significant numbers might withhold their support.

12. Communist influence in Ceylon will probably continue to increase despite the strong rivalry which exists between the three communist groups: the orthodox Communist Party, the "Trotskyite" party (LSSP) of N. M. Perera, and the "independent" communist party (VLSSP) of Philip Gunawardena which is part of Bandaranaike's coalition. We do not believe, however, that these communist groups, separately or together, will be able within the next few years to seize control of the government by extra-legal means—chiefly because of their small size and the almost certain opposition of the Governor General and the security forces to such a move. Nor do we believe it likely that any grouping of communists will win the next general election or dominate a new government. However, N. M. Perera who controls important elements of organized labor and is widely respected even in non-communist circles may be able to achieve an important place for himself and his party in a new government.

⁴ Ceylonese security forces include 8,000 police and 7,600 armed forces personnel (6,000 regular and 1,600 reserves now on active duty) with about 3,700 reserves currently demobilized. Ceylon's population is about nine million. [Footnote in the source text.]

13. It appears unlikely that Bandaranaike will be able to remain as prime minister beyond the next election. His demonstrated lack of leadership, the generally poor government provided by his coalition, and unfavorable economic developments make it unlikely that he will be again able to organize a winning coalition. Popular support will probably gravitate to the right and the left. While it now appears that the UNP and the LSSP will be the largest gainers, we do not believe that any of the presently existing parties is likely to get a majority. The result will probably be another coalition government.

14. The Bandaranaike government has won widespread support for its neutralist foreign policy. As long as it remains in office, it will almost certainly continue to follow this policy, and to adopt positions much the same as those of India on international issues. The government has received or accepted commitments of more than \$100 million in foreign assistance since it came to power. Of this, almost \$60 million has come from the Bloc and \$43 million from the West. It will almost certainly continue to seek as much foreign aid as it can get "without strings" from both sides. It is unlikely that there would be any significant change in foreign policy if a conservative regime were to come to power, either by a coup or victory in the elections, but such a government would in private probably be more sympathetic toward the West.

189. Despatch From the Embassy in Ceylon to the Department of State¹

No. 1079

Colombo, April 22, 1959.

REF

Embdes 793, 875, Deptel 620²

SUBJECT

U.S. Policy in Current Ceylonese Political Situation

The Country Team has reviewed again the current political situation in Ceylon, in the light of the cautionary advice contained in Deptel 620, to determine desirable courses of U.S. action.

¹ Source: Department of State, Central Files, 120.1446E/4-2259. Secret.

² In despatch 793 from Colombo, February 3, the Country Team reported its assessment of the political situation. It concluded that no probable governing party or leader could form a strong, stable government in Ceylon in the immediate future. Thus the Country Team agreed that U.S. policy should be directed at general support of non-

As background, the Country Team would emphasize that the U.S. representatives in Ceylon have in the recent past emphasized 1) that the U.S. will support and maintain cordial relations with any non-Communist Government, and 2) that U.S. economic assistance is directed toward improving the well-being of the people of Ceylon and not the fortunes of any politician or party.

In more personal [*less than 1 line of source text not declassified*] conversations, the Country Team has maintained a carefully balanced attitude [*less than 1 line of source text not declassified*] by [*less than 1 line of source text not declassified*] indicating to moderate MEP leaders our sympathetic and moral support [*1½ lines of source text not declassified*]. It has also sought to improve contact with the left-wing leader Philip Gunawardena through USOM contacts with the result that he is now seriously interested in visiting the U.S.

From all evidence available, the Country Team believes that effective relations with the U.S. and a continuation of U.S. aid are at present considered useful and desirable by political parties ranging from the UNP to Philip Gunawardena's LSSP (MEP). At the same time, the nature of U.S. global policy is such as to create unavoidably the impression that the U.S. would prefer, and presumably give greater support and assistance to, a government of more conservative complexion than that now in power. This viewpoint has been frequently expressed by UNP and moderate MEP leaders, entirely without stimulation or encouragement by U.S. spokesmen. It is also rumored and sometimes asserted in the Marxist press that the U.S. gives covert support to conservative leaders.

Under these circumstances, the Country Team believes that, [*1 line of source text not declassified*] relations between the U.S. and a succeeding Ceylonese Government (barring a Communist Party Government) will be determined by the usefulness of cordial relations and U.S. economic assistance to that government, and not by rumored U.S. support for the right wing. It should be noted that the election of the current "socialistic" government has not prevented increased U.S. economic assistance to the people of Ceylon or close operating relations with the Ministries involved.

Communist actions and leaders in Ceylon, "while carefully avoiding U.S. identification with any particular party or leader." (*Ibid.*, 120.1446E/2-359) In despatch 875 from Colombo, February 26, the Country Team sent additional discussion of the recommendations contained in despatch 793. (*Ibid.*, 120.1446E/2-2659)

Telegram 620 to Colombo, April 6, noted the Department's agreement with the objectives of the Country Team approach as outlined in despatches 793 and 875. However, it added that [*1 line of text not declassified*] it was essential that it make a careful study of the implications for future U.S. relations with any successor government in Ceylon. The Department suggested that the Country Team be "extremely cautious" in any expressions of sympathy to Mahajana Eksath Peramuna (MEP) moderates, in order to avoid the impression that "expanded U.S. assistance would be forthcoming if they gain control." (*Ibid.*, 746E.5-MSP/4-659)

In the opinion of the Country Team, a critical period in the political orientation of Ceylon may be at hand. The schism between the more moderate MEP majority and the Marxist-left led by Philip Gunawardena is increasingly deep, with both groups tending to adopt intransigent positions. Either over the current Cooperative Bank Bill or some other issue, it is quite probable that such a dispute may occur as to force sufficient resignations as to cause a reconstruction of the government through a reorganization of the MEP coalition or a general election.

[3 paragraphs (13½ lines of source text) not declassified]

Probably the greatest single problem of the moderate MEP leaders is the lack of funds with which to mount an effective political campaign. The same problem, although to varying degrees, faces all political parties *[less than 1 line of source text not declassified]*. The Team believes it probable that prior to determining to risk an election, an approach may be made by moderate MEP leaders for *[less than 1 line of source text not declassified]* financial support for campaigning. *[1 line of source text not declassified]*

Under the circumstances the Country Team recommends that:

1) Continued moral support for moderate MEP leaders be expressed by U.S. representatives *[less than 1 line of source text not declassified]* without any implied commitment of future expanded U.S. assistance *[less than 1 line of source text not declassified]*.

[2 paragraphs (6 lines of source text) not declassified]

For the Ambassador:
Rufus Burr Smith
Deputy Chief of Mission

190. Memorandum From the Director of the Bureau of Intelligence and Research (Cumming) to the Acting Secretary of State¹

Washington, May 8, 1959.

SUBJECT

Political Crisis in Ceylon

The Bandaranaike government in Ceylon is facing what appears to be the most serious threat to its life since its formation in April 1956. The center of the controversy is Philip Gunawardena, the leftist Minister of Food and Agriculture and leader of the radical element in the cabinet, who has long been at odds with the moderates. The moderate ministers, fearful that Gunawardena is determined to impose a communist mould on Ceylon, and convinced apparently that Prime Minister Bandaranaike is unable to control him, have issued an ultimatum to the Prime Minister that Gunawardena be expelled from the cabinet or effectively squelched. There is an even chance that the government may fall.

Similar—but less intense—intra-cabinet disputes over Gunawardena's activities have arisen in the past, but have been smoothed over by the Prime Minister. Most recently Gunawardena has been attempting to enhance his power over the rural credit apparatus through a cooperative banking bill. Pressure by the moderates forced Bandaranaike to suggest a compromise that would make himself the administrator of the proposed credit establishment in place of Gunawardena. Gunawardena has accepted the Bandaranaike suggestion, but has continued to antagonize his moderate colleagues by renewed personal attacks on them as well as demands by his party for further nationalization of the economy.

The moderate ministers, who hold two-thirds of the cabinet posts, reportedly have threatened not to participate in any further cabinet meetings until Gunawardena is expelled. If they and their parliamentary followers, who together may account for 30-odd members, or more than one-half of the coalition, defected, Bandaranaike could probably not enlist enough support from other groups to recover a parliamentary majority. While the moderates could perhaps for a time carry on a minority government dependent upon the support or

¹ Source: Department of State, Central Files, 746E.00/5-859. Secret.

benevolent neutrality of other non-communist elements, such an arrangement would probably be short-lived and new elections would have to be held.

If the Bandaranaike cabinet falls, the prospects are good for a successful electoral union between the moderates in the present government and the former ruling United National Party, although it is doubtful that the new grouping could win an absolute majority. Such a new moderate regime would probably not change Ceylon's neutralist foreign policy radically, but would probably be somewhat more sympathetic to the West and more outspoken than the Bandaranaike regime on issues such as Tibet.

191. Telegram From the Embassy in Ceylon to the Department of State¹

Colombo, July 13, 1959—5 p.m.

52. Reference: Embtel 1101 and Embtel 1115.² Having squeaked through throne speech, next parliamentary test to government comes on budget vote at end of month or early August. Public reception of budget speech poor, debate commencing 20th expected to be more extended, acrimonious than on throne speech.

Means used obtain throne speech victory,³ strikes now underway, government use military support,⁴ are increasing speculation government will fall or emergency be declared near future. Political action at high pitch.

In continuation previous estimates, Embassy believes possibility early collapse government increasing. Following appear most probable means:

1. Defection additional SLFP members, quite possibly on budget vote, followed by election.

¹ Source: Department of State, Central Files, 746E.00/7-1359. Top Secret.

² Footnote [22 lines of text] not declassified.

³ On July 8, the Bandaranaike government survived a vote of no confidence on an opposition amendment to the throne speech, 50-41. The government mobilized its full strength for the vote, while the opposition lost eight votes through abstentions and absences. Several of the abstentions were left-wing members. (Telegram 36 from Colombo, July 8; Department of State, Central Files, 746E.00/7-859; telegram 39 from Colombo, July 9; *ibid.*, 746E.00/7-959)

⁴ In response to a port strike in Colombo, the Government of Ceylon called out the military to preserve civil order and perform necessary duties to maintain certain essential services. (Telegram 1114 from Colombo, June 26; *ibid.*, 746E.00/6-2659)

2. Coup action.

Alternatively PM may attempt extend power by declaration emergency if strikes enlarge.

[11 paragraphs (1½ pages of source text) not declassified]

Smith

192. Special National Intelligence Estimate¹

SNIE 54–59

Washington, July 14, 1959.

POLITICAL PROSPECTS IN CEYLON²

The Problem

To estimate political developments in Ceylon during the next two or three years.

Conclusions

1. We believe that an early change of government in Ceylon is likely, and that the outlook for the next two or three years at least is for continued basic instability. It is probable that this period will be characterized by coalition governments. The trend toward polarization of the political scene to the right and left is likely to continue. Important differences will remain among moderates and communists and there will continue to be basic cleavages between the Sinhalese Bud-

¹ Source: Department of State, INR–NIE Files. Secret. According to a note on the cover sheet, "The following intelligence organizations participated in the preparation of this estimate: The Central Intelligence Agency and the intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and The Joint Staff." This estimate was concurred in by the United States Intelligence Board on July 14. "Concurring were the Director of Intelligence and Research, Department of State; the Assistant Chief of Staff for Intelligence, Department of the Army; the Assistant Chief of Naval Operations for Intelligence, Department of the Navy; the Assistant Chief of Staff, Intelligence, USAF; the Director for Intelligence, The Joint Staff; the Assistant to the Secretary of Defense, Special Operations, and the Director of the National Security Agency. The Atomic Energy Commission Representative to the USIB, and the Assistant Director, Federal Bureau of Investigation, abstained, the subject being outside of their jurisdiction."

² Supersedes relevant political sections of NIE 54–58, "The Outlook for Ceylon," dated 18 March 1958 and NIE 54–2–58, "The Outlook for Political Stability in Ceylon," dated 9 December 1958. [Footnote in the source text. See Documents 182 and 188.]

dhists and the various minorities. Political instability will continue to impede badly-needed measures to promote economic progress. (Paras. 6-7, 9-12, 14)

2. The relatively conservative UNP appears to have profited more than any other party from Bandaranaike's loss of popularity. While it probably could not win a majority of seats, it might emerge from new elections with sufficient strength to have a strong, if not decisive, voice in the formation of a coalition government, possibly through some kind of accommodation with the moderates of Bandaranaike's SLFP. Except in the unlikely event of a communist takeover, we do not believe that Ceylon's generally popular neutralist foreign policy will undergo any major change. However, a UNP-dominated government would probably be more effective and more sympathetic toward the West than the Bandaranaike government has been. (Paras. 11-12)

3. There is a constant possibility of an extra-legal attempt to seize power by one or more of the conservative groups which have been plotting against the Bandaranaike government. Under certain conditions, they could take control of the government. However, it is doubtful that they would be able to establish a stable and lasting government unless they were able to secure the cooperation of one of the main political parties or of a popular political leader. (Para. 17)

Discussion

The Present Government

4. Political stability in Ceylon has deteriorated steadily since shortly after the government of Prime Minister Bandaranaike came to power in April 1956. Bandaranaike's ineffective leadership in the face of constant quarrels within his governing coalition and repeated challenges from opposition groups (including frequent strikes called by the leftists) has been a major factor in the growing instability. The situation has been aggravated by the country's worsening economic situation and tension between the Tamil and Sinhalese communities.

5. The position of the Bandaranaike government was badly weakened in mid-May 1959 by the defection of 12 leftist members of the coalition, including some members of the Prime Minister's own party (SLFP), as well as all the members of the independent communist VLSSP led by Philip Gunawardena. These defections removed most of the extreme leftist element and all the communists from the government. However, the moderates, who now dominate the government, are divided among themselves, and Bandaranaike has lost his absolute majority in Parliament, although he retains a slim working majority.³

³ The coalition government consisted of Bandaranaike's *Sri Lanka Freedom Party* (SLFP) and the *Revolutionary Ceylon Equality Party* (VLSSP) led by Gunawardena. The SLFP includes practically all shades of socialist opinion. The VLSSP is independent

6. Nevertheless, the Bandaranaike government, despite its precarious position, may hold on for a few months at least. Some opposition members are reluctant to undergo the risks and expenses of an early election and thus may abstain or absent themselves on a vote of confidence. But we believe it unlikely that the present government will remain in office until the spring of 1961, by which time elections must be held.

7. The most likely of the several ways by which the present government could lose power appears to be by a vote of no-confidence in Parliament or by Bandaranaike's resignation in anticipation of such a vote. This could occur at any time through further defections from the SLFP as a consequence of inadequate leadership or pre-electoral politicking. The government's fall might be precipitated by labor disturbances or a flare-up in communal tensions. It is unlikely that any new government could be formed which commanded a majority of the present parliament. If Bandaranaike did not remain in charge of a caretaker government, the Governor General, relying on the aid of the civil and military services, could probably run the government himself, pending new elections.

8. The next elections are due to be based on a new electoral system that increases the number of members of parliament from 101 to 157 (including six appointed members) giving increased weight to urban voters and reducing the minimum voting age from 21 to 18. However, the preparation of electoral registers for the new constituencies and the new younger voters may take up to a year. If an election were held before these registers can be completed, existing registers would be adjusted to the new electoral districts but the 18–20 year olds would not participate. The participation of these new younger voters will probably work in favor of the leftist parties. Partly for this reason, the leftist opposition apparently wants to delay elections until the registers are completed, while the relatively conservative UNP favors an early election. In any case, the leftist parties will probably make some gains from increased urban representation.

Bandaranaike and the SLFP

9. Bandaranaike's government is discredited. The coalition he forged in 1956 is shattered and almost all the leftist faction of his own party has deserted him. His chances of emerging from a new election

communist. In opposition were the generally conservative United National Party (UNP) led by Dudley Senanayake, the Trotskyite Ceylon Equality Party (LSSP) led by N. M. Perera, the orthodox Communist Party of Ceylon (CCP), the Tamil parties and a number of independents. The present lineup in Parliament appears to be as follows:

[Here follows a table showing the number of members in each party.]

This listing does not include the Speaker, nor does it take account of the fact that one SLFP member represents two constituencies though he has only one vote. [Footnote in the source text.]

in a position to form a government are poor. Nevertheless, if he were to turn sharply left again and promote the radical policies on which he was elected in 1956, he could probably maintain a position of considerable influence in the Ceylonese political scene. On the other hand, his deteriorating position might even lead him to try to make an arrangement with the UNP—although we do not believe he is likely to do so, and in any case the UNP would probably not prove receptive to such overtures.

10. The SLFP has little political organization and appears to have lost much of the popular support it enjoyed in 1956. Its leaders have divergent personal interests and there is no unanimity on tactics or policies. In the event of an election, some of the SLFP moderates might make an accommodation with the UNP, and the SLFP might disintegrate. A government based on such an accommodation would probably prove more effective and durable than the present one. However, jealousies and rivalries between the two groups would pose a constant threat to its stability.

The UNP

11. The relatively conservative UNP, led by the popular Dudley Senanayake, appears to have profited more than any other party from the loss of popularity of Bandaranaike and the SLFP. Consequently it has almost certainly improved its position in recent months. It seems to have won over at least part of the organized Buddhist support which contributed heavily to Bandaranaike's 1956 victory, though it is still plagued with a number of discredited figures in the party structure. Senanayake claims that the UNP could now win an election but that its current advantage will diminish as the new electoral system comes into force.

12. There is no reliable basis for assessing the validity of this claim or for prognosticating the outcome of an election—particularly in view of the uncertainties attending implementation of the new electoral system. It appears unlikely that the UNP could win a majority of seats. However, it might emerge with sufficient strength to give it a strong, if not decisive, voice in the formation of a coalition government. If such a government should come to power, it would probably show more effectiveness and determination than the present government, but we do not believe that even a UNP-dominated government could resolve the basic economic, political, and social difficulties that plague Ceylon. It would probably be more sympathetic toward the West but would be unlikely to make fundamental changes in Ceylon's foreign policy.

The Radical Left

13. We do not believe that recent events have basically affected the prospects of the radical left in Ceylon, although it will probably gain some strength under the new electoral system. The likelihood of active cooperation between the small orthodox Communist Party (CCP) and Philip Gunawardena's VLSSP has probably increased now that the latter is out of the government. Gunawardena might even be able to bring into such cooperation at least some of the leftist members of the SLFP who defected with him. Neither the CCP nor the VLSSP has much popular support, however, and those who recently withdrew from the government have sacrificed the influence which they derived from their official position.

14. N. M. Perera's Trotskyite LSSP, most powerful of the radical leftist parties, has since the beginning been the most vigorous and effective opponent of the Bandaranaike government. Perera has as yet shown little indication of being prepared to make common cause with the other communist parties, although in the face of a rightist coup attempt or a united front of the SLFP moderates and the UNP in an election, he might do so. In any case, the LSSP is likely to hold and may expand its predominant position in the labor field. It will probably continue to make effective use of its ability to promote large-scale labor disturbances. The LSSP probably stands to benefit more than the other parties from the new electoral law. We do not believe, however, that the LSSP or any radical leftist government will come to power in the next election.

15. Nevertheless, it appears probable that the radical left will continue to have the ability to harass and perhaps even force the suspension of parliamentary government. We continue to believe, however, that the chances are against any radical leftist grouping's being able to take control of the government by extra-legal means during the period of this estimate. We base this belief primarily on the assumption that fear and abhorrence of such a development by virtually all other groups—Buddhists, Christians, the SLFP, the UNP, the Governor General, and the civil and military services—would cause them to unite, at least temporarily, to frustrate it.

Role of the Governor General

16. Governor General Sir Oliver Goonetilleke has made it clear that he is prepared, if he feels circumstances require it, to assume direct responsibility for the conduct of affairs. When he took over control of the government during the communal disturbances of May 1958, he made no move to oust the Bandaranaike government. In the event of another crisis, he might act similarly, although he claims to be fed up with the present cabinet. He has also stated that he will not

tolerate a realignment of parties which would bring a clearly leftist group into control. Goonetilleke is, however, a political opportunist, primarily interested in maintaining his own position, and is likely in a pinch to be willing to work with almost any group (other than an out-and-out communist one) which would support his continuance in office.

Possible Coup Attempts

17. There is a constant possibility of an extra-legal attempt to seize power by one or more of the various groups which have been plotting against the Bandaranaike government for at least a year. The longer the present instability continues, the greater will be the chances of a coup attempt. Most of the plotters appear to be conservative, Christian, Western-oriented civilians or members of the police and military services, who lack significant popular support or organization. If, however, they secured the acquiescence of the Governor General and of the armed forces and the police, they could take control of the government. Even under these circumstances, they would be faced with the same intractable problems as any other government. Moreover, widespread opposition to military control would add to their difficulties. It is doubtful that they would be able to establish a stable and lasting government unless they were able to secure the cooperation of one of the main political parties or of a popular political leader such as Dudley Senanayake.

The Role of the Armed Forces and Police

18. Ceylon's combined defense and police forces approximate 17,500 officers and men, of which the most effective units are the 4,400-man army and the 8,000-man police force. We have relatively little information on the attitudes of the services, which have been non-political in the past. There are, however, indications that religious and political affiliations have begun to play a more important role in recent years. Some leading officers have indicated discontent with the lack of effective government and with the country's leftward trend. Bandaranaike's policies favoring Sinhalese Buddhists have also caused some concern to non-Sinhalese and non-Buddhist officers, who constitute a large share of the officer corps in the security services. In these circumstances, the services might support or even initiate an anti-leftist coup, but we do not believe that they would seek or be able to establish military dominance on the Pakistani model.

193. Editorial Note

On September 25, Prime Minister S.W.R.D. Bandaranaike was shot and fatally wounded. He died the following day. On September 26, Wijeyananda Dahanayake, the Minister of Education, formed a new government, retaining all the ministers from the Bandaranaike government.

On October 1, at the 420th meeting of the National Security Council, Allen Dulles discussed this development during his survey of significant world developments affecting U.S. security:

“Mr. Dulles believed the assassination of the Prime Minister in Ceylon would have no great political consequence, inasmuch as it appeared to be the act of a fanatic for personal not national reasons. The Prime Minister’s successor would not have the prestige, standing in the party or grasp of foreign problems possessed by Bandaranaike. The result might be a weak central authority, followed by another change in the government.” (Memorandum of discussion by Marion W. Boggs, October 2; Eisenhower Library, Whitman File, NSC Records)

Documentation on the assassination of Bandaranaike and the accession of Dahanayake to the Prime Ministership is in Department of State, Central File 746E.00.

194. Telegram From the Embassy in Ceylon to the Department of State¹

Colombo, October 6, 1959—1 p.m.

375. Prime Minister received chiefs diplomatic missions today alone at five minute intervals. In short time we together he said following:

1. He feels that foreign aid has not been well handled on Ceylonese side and proposes set up special office under commissioner or permanent secretary in External Affairs to handle all aid matters under Prime Minister’s personal supervision. (Suggestion along these lines was made to Ceylonese months ago by Canadian HICOM Cavell but never acted upon.)

¹ Source: Department of State, Central Files, 746E.00/10–659. Confidential.

2. With preface that his true feelings could not be stated publicly, Prime Minister said did not like conditions (presumably attached to aid) laid down by Soviet bloc and things that bloc does, [1 line of source text not declassified] and wanted work closely with Anglo-American grouping. He described U.S.A. as "elder sister of Ceylon".

3. He thinks it was great mistake to have required closing British bases Ceylon and hopes find some arrangement that can undo effects this mistake without too abrupt public reversal previous action.

Although Prime Minister began conversation with remarks regarding greatness and genius of predecessor and expression his admiration predecessor's policies, he obviously intends govern according his own ideas. In one his recent public statements, after saying that he would follow lines laid down by predecessor he characterized period predecessor's government as "revolution" and said his own period would be time realization gains which would require changes in methods and policies though basic aims would remain same.

I cannot say yet to what extent Prime Minister's characterization Soviets represents real conviction² but believe he really irked with them, possibly over some dissatisfaction about aid to schools as he grumbled about Soviet aid and activities when I made courtesy call on him as Minister Education on September 15. He might also be influenced by occurrences at time expulsion Philip Gunawardena from cabinet.

Gufler

² In a conversation with Governor General Goonetilleke on October 8, Gufler reported that Goonetilleke assured him of Dahanayake's anti-Communist and pro-Western orientation. [2 lines of text not declassified] (Telegram 386 from Colombo, October 8; *ibid.*, 746E.00/10-859)

195. Letter From the Deputy Chief of Mission in Ceylon (Smith) to the Director of the Office of South Asian Affairs (Bartlett)¹

Colombo, October 19, 1959.

DEAR FRED: I am writing this while we are in mid-stream in attempting to judge the probable course of the new government. Swayed perhaps by our own interests, we were initially hopeful that

¹ Source: Department of State, SOA Files: Lot 62 D 443, Official-Informal Correspondence. Secret; Official-Informal.

Dahanayake would be able to command his team, enforce a sense of national discipline and pursue a basically moderate program for the 18 months technically remaining. In this he had and perhaps still has, the advantages accruing from the shock of Bandaranaike's assassination and the desire of reasoning people for moderation and an end of fanatical communalism.

It is still possible that he will succeed. He appears greatly changed from a year ago, more responsible, dignified and sober. However, the events of the past two weeks have been far from encouraging. The imposition of press censorship² has almost certainly turned the newspapers from their initially considerate treatment of Dahanayake to potentially violent criticism at the moment censorship is lifted. Moreover, this condition is bound to arouse deep suspicion as to the veracity of any solution of the assassination which the government presents finally.³

With censorship compounded by the lack of normal social contacts during this period of mourning, firm information is even harder to obtain than usual. The Colombo rumor mill has taken the place of papers (though, the printed word is often as full of rumors as the spoken), and we are deluged with reports of intra-cabinet strife, which cannot yet be confirmed or denied. What does seem evident is that no tragedy or necessity can produce wisdom or ability in a basically weak cabinet.

Of perhaps more lasting significance is the possible effect of the assassination of Bandaranaike by a Bhikku⁴ on the Buddhist Sinhalese. These people, the bulk of the nation, have been desperately trying to develop some cultural unity and pride. [4 lines of source text not declassified] their Buddhism was one of the few remaining possibilities. Now this has received a severe blow [less than 1 line of source text not declassified]. The consequence could be a [less than 1 line of source text not declassified] sense of inferiority, division, and apathy.

From the standpoint of U.S. objectives, we are all agreed that the ideal solution to the current political situation would be for Dahanayake to govern constitutionally for a few months while conditions quiet down and then hold elections in a more normal atmosphere. The actual probability of such a solution is most uncertain [1 line of source text not declassified].

² The Government of Ceylon imposed comprehensive censorship on the press effective midnight, October 6. Censorship was lifted on October 20. (Despatch 308 from Colombo, October 9; *ibid.*, 746E.00(W)/10-959; despatch 348 from Colombo, October 23; *ibid.*, 746E.00(W)/10-2359)

³ The question of whether important political figures were involved in the assassination aroused considerable comment in Ceylon. Police arrested Buddharakkitha Thero, a member of the SLFP Executive Committee, and several of his associates in connection with the crime. (Despatch 327 from Colombo, October 16; *ibid.*, 746E.00(W)/10-1659)

⁴ A Buddhist monk.

From a narrow viewpoint, I feel we are most fortunate in that no real charge of intervention or political pressure has been brought against the U.S. during the whole series of events from Philip's⁵ resignation to the present (I except one or two wild statements by Philip himself). Just last week Tarzi Vitacchi, Editor of the *Ceylon Observer*, spoke in most complimentary terms to John Roach⁶ of the correct and aloof position maintained by the Embassy during the past year while at the same time providing substantial help to the Ceylonese people. He contrasted this record, which he said was generally recognized, with U.S. activities during a previous period. This comment justifies fully, I believe, the policies adopted by the Country Team earlier in the year, and is a reflection of the positive actions taken to clear our record of changes [*charges*] of partisanship.

We will continue to attempt as full reporting and assessment as possible during the uncertain period ahead. However, I feel we must exercise considerable restraint in our contacts with and approaches to key government figures who are, at least by rumor, engaged in internecine battles to avoid any indication that we are taking a hand.

Early in my tour here I wrote a personal assessment of the fragmentation of Ceylonese society and its political significance.⁷ The basic conclusion reached was that we must expect weak governments for the indefinite future. Subsequent events, to me, have reinforced this conclusion. There is no apparent organization in Ceylon which would provide, constitutionally or by dictatorship, an acceptable or superior alternative to the present painful adjustment to self-government under democratic process.⁸

Sincerely yours,

Burr

⁵ Philip Gunawardena.

⁶ Director, U.S. Operations Mission in Ceylon.

⁷ Reference is presumably to despatch 516 from Colombo, October 28, 1958, and despatch 547 from Colombo, November 7, 1958. (Department of State, Central Files, 746E.00/10-2858 and 746E.00/11-758)

⁸ Bartlett replied to Smith in a letter of November 6, which reads in part as follows: "I read your letter of October 19, 1959, with great interest. I agree with your general conclusions and especially with your observation that the United States has been extremely fortunate in not being charged with intervention or applying undue pressure over the past year." The letter continues: "I suppose we must be prepared over the next few years to put up with a series of unstable governments indulging in irrational actions. I only hope that the instability and the irrationality can be kept to a minimum." (*Ibid.*, SOA Files: Lot 62 D 43, Ceylon—1959)

196. Editorial Note

On July 20, general elections were held in Ceylon, resulting in a victory for the Sri Lanka Freedom Party. On July 21, Senanayake resigned as Prime Minister and Governor General Goonetilleke called on Mrs. Sirimavo Bandaranaike, the head of the SLFP and widow of the former Prime Minister, to form a new government. She successfully formed a new government and announced the composition of her cabinet on July 23.

197. Editorial Note

On December 13, the government of Sirimavo Bandaranaike introduced into Parliament a bill to establish the Ceylon Petroleum Corporation. According to this bill, the company would use public funds to engage in the import, export, sale, supply, and distribution of petroleum. It would be exempt from taxes, and could acquire property deemed to be necessary in its business operations, without regard to the requirements of the companies holding the property. Compensation would be subject to arbitration. Further, the Minister of Commerce would be authorized to set minimum and maximum prices of petroleum. Several British and American oil companies engaged in operations in Ceylon regarded this bill as discriminatory, due to the powers granted the State agency operating in the private business sector. (Telegram 561 from Colombo, December 14; Department of State, Central Files, 746E.34/12-1460; memorandum of conversation by Robert W. Caldwell of SOA, December 21; *ibid.*, 846E.2553/12-2160; despatch 576 from Colombo, December 20; *ibid.*, 846E.2553/12-2060)

198. Telegram From the Department of State to the Embassy in Ceylon¹

Washington, December 27, 1960—6:35 p.m.

359. Joint State-Commerce. Embtels 596 and 597.² Developments this subject in Washington: (1) Stanvac Director Rufus Burton in conversations at State and Commerce requested representations be made expressing U.S. concern provisions CPC bill. He stressed breadth requisitioning provisions and authority fix minimum and maximum prices could result public corporation with powers sufficient destroy privately operated companies and constitute unwarranted discrimination against substantial private investor of long standing in Ceylon. Burton also noted adverse effect on future foreign private investment; (2) Caltex New York stated no objection representations but not requesting same present time; (3) British Embassy Petroleum Attaché delivered Department copy strongly worded protest note (pouched) understood being delivered GOC.³ This asserts CPC Bill appears contemplate treatment UK oil companies in "manifestly unfair manner", terms power for CPC fix minimum and maximum prices "serious breach fair commercial practice", says use of these methods to introduce Soviet oil "plainly discriminatory against Western sources of supply in favor of Soviet sources". Not clear from Embtels whether this note delivered or if UK High Commissioner used such strong line in December 19 meeting with PriMin.

Department believes your approach constructive and suggestion discussion of schedule of properties with limitation of requisition and acquisition provisions best effort possible this stage. Embassy should continue use restrained tone in future meetings Government Ministers, while at same time expressing genuine disappointment implications of such a measure. Stress might be placed on U.S. interest in economic

¹ Source: Department of State, Central Files, 846E.2553/12-2660. Confidential. Drafted by Robert Caldwell and approved by G. Lewis Jones. Repeated to London.

² Telegram 596, December 24, reported a conversation between Minister of Commerce T.B. Ilangaratne and managers of the Caltex and Stanvac oil companies. According to the oil company executives, Ilangaratne refused to amend the Ceylon Petroleum Corporation bill to give additional assurances to the oil companies. (*Ibid.*, 846E.2553/12-2460) Telegram 597, December 26, dealt in part with a conversation between Embassy personnel and the Ministers of Finance and Agriculture about the CPC bill. The Embassy representatives noted that these two Ceylonese officials, Felix Dias Bandaranaike and C.P. De Silva, appeared anxious to reassure them that nationalization was not their objective. Certain of their statements, according to the Embassy, contradicted those of Minister Ilangaratne, as reported in telegram 596. The Embassy further stated that the two Ministers seemed agreeable to further discussions with the oil companies, and the managers of Stanvac and Caltex said they were also willing to have such discussions. (*Ibid.*, 846E.2553/12-2660)

³ A copy of this note was attached to a memorandum of conversation by Robert Caldwell, dated December 21. (*Ibid.*, 846E.2553/12-2160)

development Ceylon and discouraging impact this measure may have on future foreign private investment. Fact that measure being taken at time virtually concurrent with Small Industries Exhibit and Trade Mission designed encourage private business may be mentioned by way of contrast to show U.S. conviction provisions this bill contrary best interest Ceylonese economic development. All Trade Mission personnel except one will be private American businessmen who will report subsequently their impressions of Ceylon to business organizations and public. It would be most unfortunate for promotion mutual trade if adverse reaction develops from such GOC treatment foreign investors of long standing service to Ceylon.

Merchant

INDIA

U.S. POLITICAL, ECONOMIC, AND MILITARY RELATIONS WITH INDIA; PRESIDENT EISENHOWER'S VISIT TO INDIA¹

199. Telegram From the Department of State to the Embassy in India²

Washington, January 10, 1958—9 p.m.

1750. Ambassador authorized communicate following message on US assistance for India to Prime Minister. The FYI sections are for Embassy's background information and use as guidance in discussion with GOI. Embassy requested report promptly Indian reaction.

1. Recognizing India's need for additional resources to assist its economic development, the US Government is prepared to discuss with Indian representatives the implementation of a loan program contributing to current India requirement. The loan program proposed by the US, utilizing presently available funds, consists of Eximbank loans and Development Loan Fund credits.

2. In order to proceed with working out the details of this program, it is hoped that the Indian Government will send to Washington qualified experts empowered to engage in staff-level discussions on the technical aspects of these programs. The discussions will concentrate primarily on implementation of proposed Eximbank and DLF lending.

3. *Eximbank*: Eximbank is prepared to consider a line of credit of \$150 million to finance capital equipment and services for priority projects in both public and private sectors which would offer possibilities of early impact on the economy. In accord with its basic policy, the use of the Bank's resources would be limited to financing goods of US origin.

¹ Continued from *Foreign Relations, 1955-1957*, vol. VIII, pp. 275 ff. For documentation on the India-Pakistan dispute, see Documents 7 ff.

² Source: Department of State, Central Files, 891.10/1-1058. Confidential; Priority. Drafted by William V. Turnage, Deputy Director of the Office of International Financial and Development Affairs; cleared with SOA, the Export-Import Bank, and the Treasury Department; and approved by Dillon. Paragraph 7 was cleared with the Department of Agriculture.

4. *DLF*: The Development Loan Fund is prepared to consider the extension of credits, from funds available in the current fiscal year, to the extent of about \$75 million in connection with other high priority projects of the Indian program for which financing from Eximbank or from other sources is not available. Additional credits will be considered when and if new funds are appropriated by the Congress for the Development Loan Fund. Development Loan Fund credits would not necessarily be limited to the financing of goods of US origin.

5. In view of the increased Indian needs for capital goods of all types, it is believed that such a loan program can make a significant contribution towards meeting India's capital goods import requirements over the next 15 to 18 months. It is desirable that Indian experts coming to Washington be prepared to discuss the Indian import program in detail, providing such information as the total size of the import program by years, its commodity composition by capital goods category (e.g., electrical equipment, transport equipment, machinery, etc.), commitments already entered into by country, possible items for Eximbank financing from US sources, and Indian contracting procedures. Since it is recognized that presently available funds are limited, it is considered important that Indian representatives be prepared to indicate those projects of program considered of first importance. Following these discussions the Eximbank and Development Loan Fund would be prepared to send a mission to India to work out further details of the credits. FYI. We believe it is desirable that proposed credits be used for the type of projects which would make an impact upon Indian public opinion. End FYI.

6. Also exploring possibility converting 1951 Wheat Loan³ to provide for repayment in local currency. FYI. This would require NAC approval and consultation with Congressional leaders also deemed appropriate. End FYI.

7. In addition foregoing financial assistance, intensive work being done here on means meeting immediate grain shortage. Embtels 1739⁴ and previous being carefully considered but (for reason given below) primary means at present contemplated are (a) amendment of present PL 480 Agreement⁵ to substitute wheat for substantial portion remaining cotton and (b) barter transactions of substantial size involving various minerals. Appears total quantities wheat which could be so provided would be sufficient, added to latest 400,000 tons from Can-

³ Reference is to the India Emergency Food Aid Act of 1951, approved by the President on June 15, 1951. (65 Stat. 71)

⁴ Dated January 6. (Department of State, Central Files, 891.49/1-658)

⁵ Agricultural Trade Development and Assistance Act of 1954, approved by the President on July 10, 1954. (68 Stat. 454) The then most recent P.L. 480 agreement with India was signed at New Delhi on August 29, 1956. (7 UST 2803)

ada, to meet needs to June 30 or somewhat later. Title I program⁶ out of FY59 funds will be considered when extended PL 480 authorization for next fiscal year is passed by Congress. Arrangements for cotton-wheat shift being worked out here as matter urgency, including preparation text exchange of notes to take place New Delhi. Expect to discuss barter possibilities with Indian representatives next week. FYI. For domestic policy reasons it is considered important to conclude barter deal if possible. Since GOI has not raised question replacement cotton under (a), we prefer not discuss that question now. To meet grain emergency, resort might also be had to other means, including use Title II, if absolutely necessary, but not until above primary means have been exhausted. End FYI.

8. In view of the fact that the details for this proposed program cannot be finalized before discussions are held with Indian representatives, it is the desire of the US Government that publicity deal only with the broad composition of the loan program. There is no objection, however, if the Indian Government desires, to the release of information to the effect that "the United States Government, desirous of assisting the Indian Government to meet its current economic problem, has invited Indian representatives to Washington to discuss the details of a loan program from currently available funds totaling about \$225 million from Eximbank and DLF sources. The Indian Government has accepted this invitation. In addition, the US Government is considering on an urgent basis additional measures to assist India in meeting its immediate grain shortage." FYI. We prefer that the decision on the desirability of a publicity release be made by the Indians. Advise GOI reaction and content and timing if release planned to permit simultaneous release here. End FYI.⁷

Dulles

⁶ Reference is to Title I of P.L. 480.

⁷ In telegram 1816 from New Delhi, January 14, Ambassador Bunker informed the Department that Prime Minister Nehru was "pleased and gratified" by the information on U.S. aid. (Department of State, Central Files, 891.10/1-1458) A press release announcing the aid program was issued on January 16 in both New Delhi and Washington. (Telegram 1774 to New Delhi, January 14; *ibid.*, 891.10/1-1458)

200. Telegram From the Department of State to the Embassy in the United Kingdom¹

Washington, January 11, 1958—6:37 p.m.

4882. CA 5772² provides background US consideration assistance to India. AmEmbassy Delhi has now been authorized communicate to Indian Government steps US prepared take and suggest GOI send team Washington work out technical details. Extent these facts will be made public to be determined in consultation GOI. Meantime recognize large scale aid India might raise difficult questions certain Baghdad Pact and SEATO capitals. You therefore authorized your discretion communicate soonest respective governments on oral and confidential basis following summary of proposals and rationale:

Ex-Im Bank prepared consider line of credit \$150 million finance capital equipment and services priority projects. Development Loan Fund will consider extension of credits approximately \$75 million from current fiscal year funds. In addition USG also considering means alleviate grain shortage through additional use PL 480.

You authorized use such portions following rationale as deemed appropriate:

(1) India now in serious economic difficulties with external resource gap of approximately \$1,000,000,000 for even reduced objectives Second Five-Year Plan. This complicated by short term foreign exchange problem with reserves drawn down to dangerous level. India, a nation of nearly 400,000,000 people, is of major political and psychological importance in Asia.

(2) In spite many differences between US and Indian foreign policies it obviously in interest free world that India remain independent and free of Communism which would flourish if economic situation deteriorates. This possibility can be lessened if India enabled make economic progress toward satisfying elemental needs of its people.

(3) US has consistently come forward to strengthen free world countries in time of crisis. Witness Turkey, Greece, Iran, Korea, and many other free world countries whose freedom, independence and progress strongly supported by US.

(4) India receiving only economic aid while our allies are receiving both economic and military assistance in proportionately larger quantities. Contemplated assistance is in the form of loans of which by far

¹ Source: Department of State, Central Files, 791.5–MSP/1–1158. Confidential; Priority. Drafted by L. Wade Lathram and approved by Rountree. Also sent priority to Ankara, Tehran, Baghdad, Karachi, Bangkok, Manila, and Tokyo and repeated to Ottawa.

² Circular airgram 5772, January 7, sent to all major U.S. diplomatic posts, enclosed a policy information statement on U.S. economic aid to India. (*Ibid.*, 511.00/1–758)

the greater part (Ex-Im Bank) repayable in dollars. Assistance also being given without context of carefully formulated development program and relatively stable economic and financial situation.

(5) To extent India remains stable and independent, security and well-being of South Asia and of Baghdad Pact and SEATO will be strengthened.

It is therefore in interest of our friends and allies that India's strength as an independent member of free world community be maintained. This in no way lessens strength US relationship to close and proven allies.

(6) Suggest refer history US assistance particular country in discussion respective governments.

For London advise Fon Off. Assume UKG endorses rationale.³

Dulles

³ In telegram 4108 from London, January 14, the Embassy reported that it informed officials of the Foreign Office of the substance of telegram 4882. Those officials said that the Department of State was correct in assuming that the United Kingdom endorsed the rationale for U.S. aid to India. "HMG has shared US concern re India's worsening economic situation," the cable reads in part, "and while feeling itself unable help out has been fervently hoping that US would be able to come to rescue. Thus believe HMG sincerely welcomes US decision step up aid to India, even though it might be with tinge of frustration that UK itself unable contribute more to ease economic crisis of Commonwealth sister nation." (*Ibid.*, 791.5-MSP/1-1458)

201. Memorandum of a Conversation, Department of State, Washington, January 17, 1958¹

SUBJECT

U.S. Aid to India

PARTICIPANTS

The Secretary
 G. L. Mehta, Indian Ambassador
 Lampton Berry, Deputy Assistant Secretary, NEA
 Armin H. Meyer, SOA

The Ambassador on behalf of India expressed deep appreciation for the economic assistance which the United States Government has decided to provide to his country. He said he was grateful that the

¹ Source: Department of State, Central Files, 791.5-MSP/1-1758. Confidential. Drafted by Meyer. During this meeting, Dulles and Mehta discussed a number of other matters, including Indian-Pakistani relations; see Document 10.

United States had officially recognized India's need, and added that it was not the quantum of aid which was important, but the spirit in which it was extended.

In reply, the Secretary said that the essential thing is that India has a government which is trying to solve its problems through democratic processes. That India should succeed is in the United States view a matter of importance overriding any areas of difference which might exist between our two countries. Ambassador Mehta suggested that while there may be some such areas of difference, there are not many.

In response to a specific inquiry from Ambassador Mehta, the Secretary stated that he has not ruled out the possibility of Congressional action with a view toward assisting India. The Secretary expressed the hope that the United States would be able to continue to assist India in succeeding years. He stated that he was making no promise but merely an expression of interest. The motivation for assistance to India this year, he said, logically calls for further help in succeeding years to enable India to close its foreign exchange gap. He explained that if the Five Year Plan were to collapse eighteen months from now, it would be a waste of the money which the United States is making available this year.

When Ambassador Mehta referred to other possible sources of aid for India such as the International Bank and Germany, the Secretary said he too hoped such aid would be forthcoming. He indicated that Germany in particular is manifesting a sympathetic interest.

202. Telegram From the Department of State to the Embassy in Germany¹

Washington, January 25, 1958—4:15 p.m.

1937. For Ambassador. Please call on Chancellor² and state President wishes to share his strong concern about Indian economic problem personally with Chancellor:

1. Future of moderate government in India may depend on economic progress in next few years. Failing such progress, Communists

¹ Source: Department of State, Central Files, 891.10/1-2558. Confidential; Limit Distribution. Drafted by Henry Owen of S/P on January 21 and cleared with Dillon, the appropriate geographical areas, and Goodpaster at the White House.

² Konrad Adenauer, Chancellor of the Federal Republic of Germany.

may be able follow up recent electoral victory in Indian state Kerala³ with gains in more populous and strategic provinces in 1961 elections. This might set in motion trend toward political extremism and regional separatism whose end result could be gradual Communist take-over.

2. Dimensions Indian economic problem such that it cannot be met in entirety by any one foreign country. If problem to be dealt with effectively, all those free nations which are India's major trading partners must take energetic action to this end.

3. U.S. planning following measures this year:

(a) \$225 million loans: \$150 million from EximBank and \$75 million from new Development Loan Fund.

(b) Additional wheat to meet drought emergency, in addition to shipments under current PL 480 agreement.

This immediate action to meet urgent crisis, and will give us time to consider further action next year, including large new PL 480 agreement if adequate new authority is provided by the Congress.

4. President recognizes this US program will not meet entire Indian need. Hopes other free countries will also take appropriate action. Gratified to note consideration Indian needs being extended by Fed Rep in negotiations beginning January 27 (re Embtels 2159 and 2220).⁴ President hopes Germany will take action consistent with its political interest in India as well as its strong financial position and creditor status vis-à-vis India to help meet current critical problem.

5. Would be delighted receive Chancellor's views. US will keep in close touch Fed Rep on this subject. If US and Fed Rep can continue keep each other fully informed concerning assessment Indian economic problem and planned actions, this will help both countries act more effectively.⁵

Herter

³ The Communist Party of India gained power in Kerala as a result of the election of March 1957.

⁴ Dated January 15 and 20, respectively. (Department of State, Central Files, 891.10/1-1558 and 891.10/1-2058)

⁵ In telegram 2346 from Bonn, January 30, Ambassador David K.E. Bruce reported that he called on Adenauer that morning and expressed to him Eisenhower's views regarding aid to India as contained in telegram 1937. Adenauer replied that he agreed that all free nations must do what they can with regard to assisting India. (*Ibid.*, 891.10/1-3058)

In telegram 1593 to Tokyo, January 29, the Department of State requested the Ambassador in Japan, at his discretion, to bring to the attention of the Japanese Government, at the highest appropriate level, U.S. concern with India's economic problems. The cable was largely based on telegram 1937 to Bonn. (*Ibid.*, 791.5-MSP/1-2358)

203. Editorial Note

Henry Cabot Lodge, U.S. Representative to the United Nations, visited India, February 12-17. Despatch 1014 from New Delhi, March 12, reported on Lodge's trip, indicating that it was notable in several respects:

"(1) First, for the fact that the invitation was extended by Krishna Menon who handled nearly all of the arrangements; (2) Secondly, for the treatment accorded to the Lodges by the GOI, which was virtually equivalent to that given to a Chief of State; (3) Thirdly, for the large amount of favorable publicity on US-Indian relations which resulted from the visit; (4) And, finally, for the boost given by the visit to the prominence, respectability and stature of Krishna Menon as a national politician and international statesman, in the view of various Indian and foreign observers."

The despatch also included the following observation: "The visit therefore must be calculated as having been a success, since it definitely resulted in a display of harmonious Indo-American relations and serving to maintain the momentum of the rapprochement between the two governments which has been taking place in recent months." (Department of State, Central Files, 033.1100/3-1258)

204. Editorial Note

On March 4, the Export-Import Bank and the Development Loan Fund issued press releases announcing loan agreements with India. The Export-Import Bank announced that it had reached agreement to extend a credit of \$150 million to finance the acquisition of U.S. capital equipment for a program of economic development in India. The DLF announced that it had agreed to establish a loan to India in the amount of \$75 million. These actions were taken pursuant to the offer by the United States, announced on January 16, to extend approximately \$225 million in loans to assist India in meeting its current economic problems. According to Samuel C. Waugh, President of the Export-Import Bank, the arrangements resulted from negotiations between representatives acting jointly for the Bank and the DLF and a delegation from the Indian Government, headed by B. K. Nehru, Secretary for Economic Affairs. The press releases were transmitted to the Embassy in telegram 2125 to New Delhi, March 3. (Department of State, Central Files, 891.10/3-358) The Department of State also issued a

statement on the loan agreements on March 4, as did Secretary of State Dulles. For texts of those statements, see Department of State *Bulletin*, March 24, 1958, pages 464–465.

A joint mission of the Export-Import Bank and the Development Loan Fund, headed by Hawthorne Arey, member of the Board of Directors of the Bank, arrived in New Delhi on March 8 to conclude detailed arrangements for utilization of the credits. (Telegram 2349 from New Delhi, March 14; Department of State, Central Files, 891.10/3–1458)

205. Memorandum of a Conversation, Department of State, Washington, March 6, 1958¹

SUBJECT

Visit of Indian Ambassador G.L. Mehta and B.K. Nehru

PARTICIPANTS

Under Secretary
G.L. Mehta, Ambassador of India
B.K. Nehru, Joint Secretary, Ministry of Finance
SOA—Mr. Bartlett
SOA—Miss Nicholl

Mr. Nehru and Ambassador Mehta called at their request.² Mr. Nehru, having completed his negotiations on the implementation of the \$225 million loan extended by the Export-Import Bank and the Development Loan Fund, is returning to India. He and the Ambassador expressed to Mr. Herter their appreciation of the friendly and helpful manner in which the Bank and the Fund had conducted the discussions and indicated the satisfaction with which the Indian Government greeted the terms under which the loans are being extended.

In the course of the conversation, which was in very general terms, the Ambassador raised the question of the U.S. Government's attitude toward continuing aid to India. The Under Secretary avoided a direct response and turned the conversation to other matters, mentioning the effect present business conditions in the U.S. might have on Congressional attitudes toward foreign assistance and discussing cer-

¹ Source: Department of State, Central Files, 891.10/3–858. Official Use Only. Drafted by Helen R. Nicholl on March 10.

² Rountree briefed Herter for this meeting in a memorandum of March 5. (*Ibid.*, 033.9111/3–558)

tain features of Senator Monroney's recent proposals for a new international development loan fund.³ Mr. Nehru was particularly interested in the possible meaning and influence of the resolution on Indian aid proposed by Senators Cooper and Kennedy.⁴

³ In Senate Resolution 264, Senator A. S. Mike Monroney (D.-Okla.) proposed that an International Development Association be established as an affiliate of the World Bank in order to make long-term, low-interest loans, repayable either in whole or in part in local currencies. The Senate adopted the resolution on July 23.

⁴ On March 25, Senators John F. Kennedy (D.-Mass.) and John Sherman Cooper (R.-Ky.) formally introduced a resolution (Senate Concurrent Resolution 74), that called on the United States "to join with other nations in providing support of the type, magnitude, and duration adequate to assist India to complete successfully its current program for economic development." (*Congressional Record*, Senate, 85th Cong., 2d Sess., March 25, 1958, vol. 104, pp. 5246–5255)

206. Memorandum From the Director of the International Cooperation Administration (Smith) to the Deputy Under Secretary of State for Economic Affairs (Dillon)¹

Washington, March 11, 1958.

SUBJECT

India, Economic Development Prospects

1. The attached paper shows clearly that internal and external resources are still not in sight for financing even the "core" of India's Five Year Plan.² India will have to do one or more (probably all three) of the following:

- a. Raise additional internal resources
- b. Secure at least \$500 million of additional foreign exchange
- c. Further screen down development plans.

2. In this situation it appears that the U.S. Government should begin now to determine in an orderly way what it should and can do to assist India during FY 1959.

3. At the same time I believe that we should make an effort to develop an improved appreciation of India's plans and prospects over a longer term—say the next five or six years. Specifically I think we should explore the possibility of arranging for a joint Indian-IBRD-US

¹ Source: Department of State, Central Files, 891.00/3–1158. Confidential.

² The attached 20-page paper, drafted on February 12 by Alfred D. White of O/NESA/ICA, is not printed.

review of India's development plans, capabilities, and need for outside resources. I believe that such a joint effort might be helpful to India in providing some "prestige-full" outside support for needed measures to mobilize greater public and private resources internally as well as giving us an excellent insight into the issues and influences at work in India's planning.

Recommendations:

1. I would like to suggest that you establish a working group including representatives of OFD, NEA, S/P/State, O/NESA/ICA, DLF, OIF/Treasury, the Export-Import Bank, and the Budget Bureau. This group would be instructed to prepare an analysis of India's need for U.S. economic aid during FY 1959 and suggest means of meeting the need. This would provide a basis for decision on a total program by the Executive Branch soon after completion of congressional action on the MSP, the PL 480 extension, and the EX-IM Bank authority increase.

2. I would also suggest that you set up a small working group to consider the best method of organizing a broader review of India's economic plans and problems for the medium term future. To start with this group might be limited to representatives of OFD, S/P, NEA/State, and O/NESA/ICA.³

JHS

³ In a memorandum of March 13, Robert C. Brewster, Dillon's Special Assistant, informed William Turnage that Dillon had asked him to take action on Smith's memorandum. Brewster's memorandum is attached to the source text. Turnage subsequently helped prepare a memorandum for Dillon's signature and forwarded it to him on March 25. In a covering memorandum, Turnage summarized his ideas in part as follows: "At this early stage I believe a small working group could operate much more effectively. I realize that at some time we must bring in several other agencies but I hope this can be postponed until we have a clearer idea of our own position. I can think of nothing less constructive than work with a large interagency group at this early stage of progress." Dillon approved the memorandum and sent it to Smith on March 27. (*Ibid.*, 891.00/3-1158)

**207. Memorandum of a Conversation, White House,
Washington, March 19, 1958¹**

SUBJECT

Call of the Vice President of India, Dr. S. Radhakrishnan, on the President

PARTICIPANTS

President Eisenhower
Dr. S. Radhakrishnan
Donald D. Kennedy, NEA, Department of State
Clement E. Conger, U/PR, Department of State

After opening felicitations during which Vice President Radhakrishnan conveyed greetings from Mr. Nehru, Prime Minister of India, the President recalled the pleasant time he spent with Mr. Nehru on the occasion of his (Nehru's) last visit to this country, and especially mentioned that the subject of Kashmir had been brought up during their conversations.² He had gained the impression at that time that the Indian Prime Minister was hopeful that progress would be made in the matter. The President added that he thought that settlement of the Kashmir problem was very essential to progress in the area. The Vice President of India said that given good will on both sides, the matter would be settled. He referred to the fact that religion was the basis for the partition of India and Pakistan and felt that this was not an acceptable principle. The President said that Prime Minister Nehru had made that point to him personally [*less than 1 line of source text not declassified*].

Dr. Radhakrishnan referred to the political situation in Pakistan and said that although President Mirza was not the responsible head of government of the country, he was the one who was holding it together. So far Pakistan had not even been able to hold an election. The President commented that where conditions of that sort occurred parties looked for a scapegoat.

The President said that to his mind it was incomprehensible that there had not been settlement of the issues between India and Pakistan. The two countries had a common cultural background and even common blood. The only thing that stood between them was religion. He thought it was tragic. The President went on to say that the United

¹ Source: Eisenhower Library, Whitman File, DDE Diaries. Confidential. Drafted by Kennedy. Eisenhower was briefed for this meeting with Vice President Sarvepalli Radhakrishnan in a memorandum of March 17 from Acting Secretary Herter. (Department of State, Central Files, 033.9111/3-1758) Radhakrishnan was in Washington for an unofficial 2-day visit, March 19–20. Another copy of this memorandum of conversation is *ibid.*, 033.9111/3-2458. Dulles spoke with Radhakrishnan on March 19 about Pakistani-Indian relations, among other matters. See Document 22.

² For a memorandum of Eisenhower's conversation with Nehru on December 19, 1956, see *Foreign Relations, 1955–1957*, vol. VIII, p. 331.

States tried to be good friends to both countries. We did not take a position one way or the other; if we did, then we would lose any influence we might have. But nothing would be more wonderful for peace than a rapprochement.

The Vice President of India expressed gratitude for the assistance which the United States had recently given and had given on previous occasions. He felt that progress had been made and that India would succeed. This success would be of great importance as an example to the area. He also wanted to say that what was also so important was the feeling of moral support which the people of America gave. He felt that support every time he came to this country. The President expressed the view that as long as people have a sense of accomplishment they will move forward, and after a certain point is reached progress would achieve a geometric progression.

The President referred to our military program and the great burden of arms which this country had to carry. He said some might disagree with our approach; but we believed that it was necessary to do what we were doing. However, he had very much in mind the possibly adverse effect what we were doing might have with regard to our maintaining our way of life and free enterprise system. We were not yet at a critical state, but sometimes people became hysterical and the possibility existed that we might lose our free institutions in defending them.

The Vice President of India referred to the free institutions in India including free elections and courts of law, and mentioned the resignation of the Finance Minister, T. T. Krishnamachari, as an extreme example of how democratic institutions functioned in India at the present time. The President said that we were a supporter of the purposes and ideals of the Government of India; that we had our differences but that they were not vital. The Vice President added that what was important were the basic values related to human rights and freedom for the individual, and agreed that differences between the two countries were not in an area of great significance.

Dr. Radhakrishnan then referred to the fact that he was speaking tomorrow afternoon at Columbia University as a guest to deliver this year's Gabriel Silver lecture. The conversation ended with the President mentioning that he had been responsible for starting this series.

208. Letter From President Eisenhower to Prime Minister Nehru¹

Washington, April 30, 1958.

MY DEAR MR. PRIME MINISTER: I have just received news reports from New Delhi that you are thinking of laying down your official and heavy responsibilities, at least for the time being.

You, if anyone, Mr. Prime Minister, deserve a long and restful vacation after all these years that you have guided your vast country toward economic, political, and social progress. However, I and countless others hope that you will not go too far away or for too long a time.

Are there not at least faint indications that the world may be at a turning point when some important problems can be solved, when perhaps the sharpness of conflict between the Soviet Union and the West may be sufficiently moderated to become tolerable? Certainly considerable progress has been made from the days when it seemed, to us at least, that the Soviet leaders were relying primarily on violence to attain their objectives. Their goals, and of this Mr. Khrushchev makes no secret, are still expansionist, but their methods seem to have somewhat moderated in the face of the world's opposition to violence as a technique for bringing about change. I also have in mind that we might be reaching a time when some of those problems which have persistently beset Indo-Pakistan relations might be susceptible to solution. I had, indeed, been thinking of communicating with you in this matter.²

¹ Source: Department of State, Central Files, 791.13/4–3058. Secret; Presidential Handling. Transmitted to the Embassy in New Delhi in telegram 2541, which is the source text. This letter was drafted by Dulles. Earlier that day, Goodpaster informed Dulles that the President was thinking of sending a cable to Nehru. He explained that the President wanted Dulles to send a message in his name and would give the Secretary clearance in advance. (Memorandum of telephone conversation; Eisenhower Library, Dulles Papers, White House Telephone Conversations)

² See Document 34.

Under all these circumstances, it would indeed be a misfortune, perhaps for all of us, if at what may prove to be a critical, formative period, your own influence were not actively present over any really protracted period.³

Sincerely,

Dwight D. Eisenhower⁴

³ Nehru replied in a letter to Eisenhower on May 4. He expressed gratitude for the President's message and explained that he was planning to change his surroundings by spending some time in the mountains. (Department of State, Central Files, 711.11-EI/5-458)

In a letter of May 16, Bunker informed Eisenhower of the positive effects which his letter to Nehru had. (*Ibid.*, SOA Files: Lot 62 D 43, India—1958)

⁴ Telegram 2541 bears this typed signature.

209. Telegram From the Embassy in India to the Department of State¹

New Delhi, May 29, 1958—8 p.m.

3077. For Dillon from Bunker. I am greatly disturbed by new GOI forecasts of their balance payments position which indicates extremely serious situation current GOI fiscal year (April 58–March 59). Concurrent country team message (Embtel 3078)² gives details and explanation of these estimates but am sending this personal message to you because I believe situation this year has earmarks of Indian foreign exchange crisis which will require extraordinary measures of external assistance. I earnestly ask your personal consideration of this serious problem. Summary facts of situation submitted Embtel 3078 are as follows:

Estimated deficit for current fiscal year to March 31, 1959, after taking into account all presently assured aid expected to be used during year is \$617 million. On same basis deficit for last 3 years of plan estimated \$1,317 million. According to GOI, deterioration in current year prospects due chiefly to effects of US and European recession, i.e., decline in value of exports and acceleration of shipments to

¹ Source: Department of State, Central Files, 891.10/5-2958. Secret; Priority. Repeated to Bombay, Calcutta, and Madras.

² Dated May 29. (*Ibid.*, 891.10/5-2958)

GOI by foreign suppliers, though their own overestimate of exports significantly involved. 90 percent of payments obligations are for existing commitments which GOI unable to postpone.

Foreign exchange resources of \$561 millions on April 1 do not provide adequate margin to meet deficit. Assuming reduction of foreign exchange reserves to \$210 millions (100 crores) by April 1, 1959, a level probably below safe working capital needs, minimum external aid of \$266 millions would be needed on conditions which would permit application to payment of current obligations. In addition a new PL 480 agreement would be required with shipments beginning before end of third quarter of this calendar year. Should such assistance not be forthcoming I believe consequences would be extremely detrimental to stability and future growth of Indian economy, and would seriously threaten attainment of US political objectives in India. Inability to meet its foreign commitments, coupled with the setbacks the second plan has already experienced due to shortage of internal resources, would further strengthen anti-democratic forces, who are unremitting in their efforts to minimize the rate of progress and to emphasize what might be achieved under a different system.

I therefore strongly recommend assistance of \$300 million (affording some margin of safety for reserves) to India during FY 1959. This should take the form of an open credit to be available for payment of current foreign exchange obligations. The amount of such assistance that would have to come from the US would depend on your judgment of availability of similar assistance from other sources. I would emphasize, however, both the need for prompt action if purpose of aid is to be fulfilled, and then nature of assistance needed to do the job. I also urge importance of beginning negotiations for new PL 480 agreement immediately after congressional authorization. I am bringing the current year's situation to your attention because I believe it is so critical as to require your personal interest and intervention. Despite the seriousness of the immediate situation I am not discouraged about long term prospects for definite and encouraging progress is being made; and the GOI and Indian people have made effective use of assistance received from the US and other countries. (Statement and details of longer term problems included in Embtel 3078 and will likewise require careful consideration.)³

Bunker

³ In telegram 2801 to New Delhi, June 2, the Department of State outlined a new P.L. 480 program for India. (*Ibid.*, 411.9141/6–258) In telegram 2807 to New Delhi, June 3, marked "for Bunker from Dillon," the Under Secretary pointed out that the Department was urgently considering the problems summarized in telegrams 3077 and 3078. (*Ibid.*, 891.10/5–2958)

210. **Letter From the Ambassador in India (Bunker) to the Deputy Under Secretary of State for Economic Affairs (Dillon)**¹

New Delhi, June 19, 1958.

DEAR DOUGLAS: While our two telegrams of May 29th (Embtels 3077 and 3078)² were intended to give a fairly complete picture of the Indian foreign exchange situation, I think a few additional comments may be in order.

The seriousness, indeed alarm, with which the GOI views the prospect ahead is manifested by the fact that B. K. Nehru is proceeding to Washington from London after attending the preparatory meeting for the Commonwealth Finance Ministers' Conference in Montreal. Since we attempted to give in our Embtels as comprehensive a picture of the situation as we could with the data in hand and to emphasize the seriousness with which we viewed the problem, I will not attempt to repeat these views here.

There is another aspect of this present situation, however, directly affecting the private sector which is giving us concern. In the effort to apply all possible resources to meeting its commitments the GOI has imposed a tough and restrictive import policy, the effects of which are beginning to be felt now in a good many industries. There is growing concern among businessmen, a concern shared by the GOI, that imports of raw materials will be insufficient to keep the economy functioning at a normal rate. Restrictions on the import of fertilizers are likely to impede domestic production of food grains. The closing down of factories and a failure to increase food production could combine to cause unemployment and unrest, and eventual political instability. A good many businessmen, who had previously expressed confidence that the economy would be able to pull through and maintain a fairly good production rate, have expressed to me and other members of our Mission their growing concern at the prospect ahead. I have discussed this problem with the Finance Minister, Mr. Desai, and B.K. Nehru, and both have said that they are fully aware of the seriousness of the problem and that it has top priority in their thinking.

On June 23, Ambassador Bunker and N.C. Sen Gupta, Joint Secretary of the Indian Ministry of Finance, signed the new P.L. 480 agreement in New Delhi. The agreement provided India with approximately \$57 million of corn, grain sorghum, wheat, and ocean transportation. (9 UST 935)

¹ Source: Department of State, SOA Files: Lot 60 D 449. Official-*Informal* Correspondence. Secret; Official-*Informal*. On June 20, Bunker sent a copy of this letter to Bartlett. (*Ibid.*, SOA Files: Lot 62 D 43, India Economic—1958)

² Telegram 3077 is printed *supra*. Regarding telegram 3078, see footnotes 2 and 3 thereto.

B.K. Nehru will probably arrive in Washington about the time this letter reaches you. He hopes to discuss with you and others in the government, the EXIM Bank, IMF, World Bank and the Monetary Fund this critical situation which India is facing. I have frankly never seen the GOI so deeply concerned and worried about anything since I have been here. For political reasons which I believe sound the situation until now has been played down. The Congress Party and its future is tied to the Second Five-Year Plan, committed to the achievement of economic progress under democratic institutions. The success or failure of the Plan in their eyes, and I believe they are right in this, will certainly have a bearing on the outcome of the next general elections. A failure of the Plan which resulted in a severe cutback and a slowing down of the economy could have catastrophic results on the stability of democratic institutions in India, indeed on their ability to survive.

It is because of the fact that the GOI is aware that it is facing probably its most critical test since independence that B.K. Nehru is going to Washington to lay the facts before the USG, and the Finance Minister, Morarji Desai, is hoping also to visit Washington September 7-14 on his way to the Montreal Conference. I think it is most important that he should do so and I hope, therefore, that we shall be able to give him a waiver on his inoculations, which he has conscientious scruples against taking. The UK and Canada I understand have already agreed to this.

I know what a difficult problem this poses for us as well as for India. Essentially we are facing a single problem divided into two priorities. The first is to provide the means to help India get through the year that started April 1st, and for this it is our view that a line of credit of \$300 millions starting six months from now will be needed to meet commitments falling due which are not postponable. The second part of the problem is the broader one of planning to meet the needs of the succeeding two years of the Plan. We are now engaged in an intensive study of this and should have more detailed information in your hands in another month to six weeks. In general outline it seems to us that this broader program will need to include a substantial PL 480 program involving perhaps 2½ million tons of food grains per year, aid for the core projects and certain maintenance imports, and assistance for the private sector, including projects which may fall outside the core but which we want to back for policy reasons. I believe we shall want to include enough for industrial projects in the private sector to permit fulfillment of the planned targets for private industry. I do not think that this latter amount will be prohibitive.

If we can meet this problem it will be possible for India to achieve essentially realistic and satisfactory targets of economic development. It will fall short by about twenty percent of the original planned

targets but it will make possible steady progress and will give hope for the future. Cannot we together with our free world associates find a way to meet this critical challenge to the future of democratic institutions in Asia? If we act with boldness and imagination I am sure it will pay off. I know the problem will have your sympathetic consideration.

With kindest regards,
Sincerely yours,

Ellsworth

211. Despatch From the Embassy in India to the Department of State¹

No. 1633

New Delhi, June 27, 1958.

REF

CA-1082, August 1, 1957²

SUBJECT

United States Policy with regard to Kerala

In compliance with the request for periodic progress reports contained in the last paragraph of the referenced instruction, the Embassy is submitting herewith the results of its most recent appraisal of the efforts made to carry out the courses of action suggested by the Department. A summary of the measures undertaken by relevant offices of the mission and the Consulate General in pursuance of the policies outlined in CA-1082 is attached as Enclosure 1.³

On the basis of its review of developments within India and in Kerala as well as of its own activities, the Embassy believes that it has carried out the letter and spirit of the Department's instruction to the extent that has proved feasible. Experience and observation suggest, however, that there are certain factors present in the Indian scene which perhaps were not taken sufficiently into account in developing the courses of action outlined in CA-1082 and consequently the Embassy, in consultation with the Consul General of Madras, is putting forward a number of suggestions for further action.

¹ Source: Department of State, Central Files, 611.91/6-2758. Secret.

² For text, see *Foreign Relations, 1955-1957*, vol. VIII, p. 363.

³ Not printed.

It has become clear over the last year that the removal of the communists from power in Kerala is related to the problem of combating communism in India as a whole. As the Department recognized, the key factors in the struggle are the Government of India and the Congress Party. On the basis of its explorations and observations to date, the Embassy tends to believe that the chief problem confronting both and any interested party such as the U.S. is not so much the attitude of the leadership toward communism but their ability to organize effective measures for challenging it, exposing its true nature and offering more acceptable alternatives. While it is true that the Indian leaders appear to be insufficiently versed in communist doctrine to know what they are up against in trying to best the communists, they nevertheless seem to be quite definite in their rejection of communism as a solution for India. This position not only is taken privately but has been voiced publicly with increasing frequency during recent months by numerous leaders from Mr. Nehru down the line. The record to date would also indicate that the Government of India is more alert to and is exploiting more opportunities to discredit the communists than is the Congress party as such. This has been evinced in the action of four key cabinet officers—Pandit Pant (Home Ministry), Morarji Desai (formerly Commerce, new Finance Ministry) A. K. Sen (Law Minister), S. K. Patil (Transport and Communications Ministry). At the same time it needs to be kept in mind that one underlying belief of numerous Government of India leaders with whom this subject has been discussed is that the chief deterrent to communism in India is satisfactory progress in economic development and that this, therefore, has prior claim in limited talents and resources, since failure on this front would overshadow and render useless efforts in all other directions.

The Congress party on the other hand presents a somewhat discouraging spectacle. It is still in the process of finding its role in independent India. There are those in its ranks, notably President Dhebar and Prime Minister Nehru, who publicly deplore the idea of the Congress becoming solely preoccupied with winning elections, and who would continue to emphasize its service-to-the-nation role as Gandhi developed it. The clarification of their fuzzy thinking on this plus more effective Congress organization is hampered by the fact that the key officials of the Congress party and its executive arm appear to be lacking in the necessary organizational talent, with the result—or so it appears to the Embassy—that there appears to be little prospect of early revitalization of the Congress in the Center and consequently of Center assistance to Kerala Congress party.

Taking these considerations into account, the Embassy, while continuing to pursue to the maximum extent possible the policies and courses of action outlined by the Department [*1½ lines of source text not declassified*] proposes that emphasis be given in the immediate

future to two additional courses of action—one directly related to Kerala, the other aimed at strengthening the forces of democracy in India generally, with only indirect application to Kerala.

Recommendation 1:

The Embassy believes that under prevailing circumstances it is desirable for the United States to have more direct access to and contact with developments in Kerala. To do this, consideration has been given to the possibility of establishing a consulate-cum-reading room at Cochin. While our analysis indicates that there appears to be sufficient economic and commercial activity in which U.S. interests are involved to give us legitimate grounds for requesting the Government of India's permission to establish a consulate, we are inclined to believe that, for the immediate future at any rate, our interests can best be served by augmenting the staff of the Madras consulate by one officer with political and economic reporting experience (plus secretary) and by providing him with sufficient travel funds to enable him to spend a portion of every month in the various parts of Kerala. This should be accompanied by stepped-up USIS activity from Madras. The total cost should be less than that of establishing a consulate.

The reasons for this recommendation are:

(1) it could be implemented with minimum of delay. Any negotiations with the Government of India over the establishment of a consulate would have to be carefully timed and might be protracted.

(2) it would enable an on-the-spot assessment of the following factors which need to be taken into account and carefully weighed before a decision is taken to establish a consulate:

(a) Is the case for establishing a consulate sufficiently obvious that it could be done under a communist regime without arousing undue suspicion?

(b) Would the location of a consulate in Congress-controlled Cochin heighten suspicion of U.S. motives?

(c) Would the location of a consulate in Cochin best serve our purposes since it is not an important listening post, politically, and travel to other parts of the state would in any case be necessary?

(d) Would there be grounds for maintaining a consulate in the event of the communist regime being overthrown?

(e) To what extent would the establishment of a consulate under a communist government increase the respectability and prestige of that government or become a target of attack as an espionage center?

(f) Would the establishment of a U.S. consulate be likely to lead to the establishment of Iron Curtain country consulates?

(g) Would the establishment of a consulate during a communist regime be likely to pose the dilemma of increased trade requests which our basic policy will not permit us to meet?

Thus, the augmentation of the Madras staff would give us the maximum flexibility of action while enabling us to increase our coverage while we are making up our minds on the question of the consulate.

(3) In the absence of a more positive GOI or Congress Party policy vis-à-vis communism in Kerala, USIS is reluctant to reopen with the Government of India the delicate question of establishing an additional USIS sub office in Cochin, since there are many more important cities in India desiring a USIS library (Ahmedabad, Madurai, Allahabad, for example).

Recommendation 2:

The Embassy should step up efforts to provide advice on or to expose key groups to the democratic process and procedures in action. Toward this end we recommend:

(a) We should seek to provide Congress officials at national, state and local levels with first-hand experience in the workings of the U.S. political system and particularly the political parties. The election this autumn would seem to constitute an ideal opportunity that should not be missed. Key party officials should be invited to witness the election and to study the operations of political parties at all levels.

(b) Student exchanges should be increased. One possibility would be to work out an expanded Fulbright type program⁴ drawing on the U.S. rupee account.

(c) A parliamentary delegation should be invited to the United States.

In the meantime the Embassy will seize every opportunity to suggest specific measures that serve the purpose of denying aid and comfort to the communists in general and in Kerala in particular. For example, it should be possible, under appropriate circumstances, (a) to discourage economic expansion [*less than 1 line of source text not declassified*] that is likely to produce benefits to Kerala while the communists are in power and (b) to discuss with appropriate GOI officials what the GOI plans to do about reported business offers of the Rumanians and Hungarians in Kerala; and why in view of the stated attitude of GOI leaders toward communism, responsible Ministers

⁴ Reference is to P.L. 584, approved August 1, 1946, generally called the Fulbright Act after its sponsor Senator J. William Fulbright (D.-Ark.), which established an international educational exchange program. (60 Stat. 754)

(such as Shrimali (Education) and Dey (Community Development) most recently) continue to make public statements praising the record of the Government of Kerala.

For the Ambassador:
Edward P. Maffitt
Acting Deputy Chief of Mission

**212. Memorandum of a Conversation, Department of State,
 Washington, July 12, 1958¹**

SUBJECT

Indian Financial Situation

PARTICIPANTS

Mr. Eugene Black, President, IBRD
 Mr. Burke Knapp, Vice President, IBRD
 W—Mr. Dillon
 W—Mr. Whitehouse

Mr. Black called on Under Secretary Dillon on July 12 at his request to discuss the Indian financial situation.

Mr. Black stated that in the course of several talks with B. K. Nehru, the latter had explained India's predicament and that it was "quite a predicament".² He expressed the hope that the next 5 year plan would be less ambitious than the present one but that he wanted to talk about the immediate problem and India's needs over the next 3 years. He stated that this was a situation that involved the US, the UK, the Canadians, the World Bank and possibly the IMF. There were some questions he wished to ask Mr. Dillon and some suggestions he wanted to make.

His first point was that B. K. Nehru is hoping for \$100 million from the DLF next fiscal year and for assistance through special legislation in the amount of \$150 million. Did Mr. Dillon envisage India getting about a quarter of next year's DLF appropriation? Mr. Dillon

¹ Source: Department of State, Central Files, 891.10/7-1258. Confidential. Drafted by Charles S. Whitehouse, Special Assistant to Dillon.

² B. K. Nehru was in the United States for a series of discussions with U.S. and IBRD officials on India's financial difficulties. On July 2, he met with Dillon. During their conversation, Dillon informed Nehru that the United States had worked out a satisfactory arrangement with the IBRD for the postponement of payments due under the 1951 wheat loan. A memorandum of that conversation, drafted by Rufus Burr Smith, is *ibid.*, 891.00-Five Year/7-258.

recalled that he had earlier informed Mr. Black that about \$75 million from DLF might be contemplated and explained the considerations which had led to our not requesting special legislation at this session.

Mr. Black said he wanted to work very closely with us on this problem and that B. K. Nehru was asking the Bank for \$300 million. If worst came to worst and the DLF received only \$400 million in FY 1959, would Mr. Dillon put a quarter of this sum into India. Mr. Dillon repeated that he was thinking in terms of \$75 million and explained that there were other important needs to be met by the DLF. He cited the Philippines and Turkey. He estimated that the DLF would be no lower than \$450 million and that if it received substantially more he would hope to be able to raise the Indian program to between \$75 million and \$100 million.

Mr. Black then inquired whether the DLF could pick up past disbursements pointing out that the Bank was willing to do so. Mr. Dillon replied that the DLF in order to be of maximum assistance to India might well have to do the same.

Mr. Black next expressed the hope that the Department would be mindful of the Bank's position if consideration were given to loans repayable in dollars either from the Eximbank or as a result of special legislation.

Mr. Dillon stated that he was well aware of the problem which would be caused for the Bank if the Indian Government undertook additional dollar obligations. In this connection he mentioned the rescheduling of repayments of the Indian wheat loan and informed Mr. Black that final Congressional consultation regarding this change was still taking place but that no opposition had been raised by the Senators or Congressmen who had been contacted so far.

The conversation then turned to the reserves of the Indian Government. Mr. Black stated that according to their figures the Indians expect to have to draw down \$155 million, but the Bank estimates that they will have to draw down from \$250 to \$270 million. India's reserves at this time are \$800 million including \$240 million in gold. Mr. Black stated that B. K. Nehru was very concerned lest the Indian reserves be reduced to \$500 million or less. This is the equivalent of three months' imports and although this figure does not alarm Mr. Black, B. K. Nehru foresees that a reduction of reserves to this level would bring on capital flight. If this is the case, Mr. Black reasoned that it would be wise for the Indians to draw down their third tranche from the IMF. The trouble would be that this sum would have to be paid back and the Indian ability to pay would depend on using US loans.

Mr. Dillon confirmed that use of the IMF was in the back of his mind. Mr. Black commented that B. K. Nehru thought that a \$100 million loan from the Eximbank in anticipation of special legislation

might be very helpful to India. Mr. Dillon replied that this was out of the question as special legislation would be unobtainable if India's needs were met in this way.

Mr. Black then summarized the Bank's situation. He said that the Indians were asking for \$150 million this year and that the Bank had agreed to spend \$25 million on the Damodar Valley project in the course of the next three years. If he were assured that the DLF would extend \$75 to \$100 million and if we agreed to the Indians eventually drawing down their third tranche from the IMF, he felt he would promise the Indians \$75 million now and hold back \$75 million to see what happens. He said that B. K. Nehru was talking to the UK, Canada and Germany and that the United Kingdom was granting India a balance of payments loan of 20 million pounds.

Turning to the suggestions he wished to make, Mr. Black asked Mr. Dillon what he thought of holding a "creditors' meeting" at which no Indians would be present but to which the British, Germans, US, Canadians and representatives of the IBRD and IMF would be invited. Mr. Dillon said this was a good idea but that he would have to check with other senior officials of the Government. Mr. Dillon asked whether in his talks with the Indians Mr. Black could urge the Indian Government to cut down on its military expenses. Mr. Black replied that he had already done so and agreed wholeheartedly with the great importance of reducing India's military budget. He stated that he would also try to encourage the Germans to play a greater role in providing assistance to India and that he felt the 20 million pounds balance of payments loan that the UK had promised was less than the British should do. Since the meeting of Commonwealth Finance Ministers is to take place September 15, he felt the "creditors' meeting" could be around August 25 and added that he understood the Indian Finance Minister planned to come to Washington in early September. It was agreed that if such a meeting were held it would be under the auspices of the Bank and would be handled very circumspectly.

Mr. Knapp pointed out that in the discussion no mention had been made of P.L. 480 and Mr. Dillon replied that the United States will do what it can to meet India's food needs.

At Mr. Dillon's suggestion, Mr. Knapp agreed to compare the Bank's figures on India's financial situation with those available in the United States Government, and Mr. Dillon promised that Mr. Turnage would get in touch with the Bank shortly.

At the close of the meeting, Mr. Black obtained Mr. Dillon's permission to say to Mr. Nehru that he had met with Mr. Dillon who was deeply interested in India's problem, that the sums which might be available from the DLF were unknown at this time, and that special legislation for India would certainly be considered by the U.S. Government. Speaking only for the Bank, Mr. Black would suggest to B. K.

Nehru that the Indian Government consider drawing down its third tranche at the IMF. He would also mention to B. K. Nehru that the Bank was considering having a small meeting with those countries most interested in India's problems.

**213. Memorandum of a Conversation, Department of State,
Washington, July 16, 1958¹**

SUBJECT

India's Economic Situation and Its Need for Economic Assistance

PARTICIPANTS

Under Secretary Dillon
Mr. B. K. Nehru, Indian Secretary of Finance
Mr. Govindan Nair, Economic Minister, Embassy of India
SOA—Frederic P. Bartlett

This meeting was arranged at the request of the Indian Embassy. Mr. Nehru opened the conversation by stating that he would be leaving Washington Saturday,² but would be back soon. Since his last meeting with Mr. Dillon, Mr. Nehru explained, the working party had had several meetings, but that no amount of analyzing of figures could change the serious facts underlying India's economic position. On the assumptions that (1) India must keep its economy going and (2) India must complete at least the presently truncated core of a Second Five Year Plan, the figures were just not compressible. He had discussed them also with the UKG and the IBRD who had argued that perhaps India could reduce its expenditures under the Plan. This would be impossible politically for India although, of course, if the Plan's goals cannot be met, they cannot be met, and India will have to live with the consequences thereof. With the current rate of drawdown of its foreign exchange reserves, Mr. Nehru said that by the end of September India would be face to face with disaster. What India needed was some sort of a statement that the USG would in one form or another help to see India through its current emergency. Without such a statement, the flight of capital would mushroom, with India unable to effectively control it. The last three months' drawdown was truly most serious from this point of view.

¹ Source: Department of State, Central Files, 891.00/7-1658. Confidential. Drafted by Bartlett.

² July 19.

(At this point Mr. Nehru presented tables of India's needs and resources for the periods April 1958 to March 1961, and July 1958 to June 1959. Copies of these tables are attached.)³

After reviewing the tables Mr. Dillon inquired whether, in addition to the estimated desired reserve of \$420 million by the end of March 1961, India would not have in addition \$240 million in gold. Mr. Nehru confirmed this, but indicated that in his Government's opinion the reserves by the end of March 1961 should not be any lower than \$420 million, nor lower than the \$325 million shown by the end of June 1959. The reason why India felt it necessary to build up its reserves from the latter figure to \$420 million by the end of March 1961 was that it faced very heavy debt obligations during calendar 1961 and had to have funds ready to satisfy them.

Mr. Dillon inquired whether additional assistance from the IMF had been considered. Mr. Nehru replied affirmatively, but indicated that the drawback in this case was the short term for repayment of any additional IMF drawings. He believed that the only possible solution to India's needs was special legislation and that it would be harder to justify special assistance for repaying short-term credit extended by the IMF than it would be for development purposes.

Returning to the tables noted above, Mr. Dillon explained that, based on anticipated resources, for the most part DLF, \$125 million for the period July 1958-June 1959 appeared high. There were many other countries, including Turkey, Iran and Lebanon, which were also urgently in need of assistance from the DLF. Even if Congress were to appropriate a total of \$500 million in new funds for the DLF this year, it would be difficult to contemplate 25% of this total going to one country. We had been thinking, Mr. Dillon continued, more in terms of from \$75 million to \$100 million. As far as special legislation was concerned, no decision had been reached. Its feasibility would depend upon the circumstances existing at the time. It might be suggested to Congress. Congressional feeling had been fairly satisfactory up to now, but of course it could change in the future. We would have to restudy the possibility of special legislation this fall. Mr. Dillon could not say whether it would be impossible to obtain such legislation, but neither could he say that it would be possible to do so.

Again Mr. Nehru noted that no matter how one juggled the figures, there remained a most serious foreign exchange gap and that India needed a reassuring statement from the USG along the lines suggested above although it would not need to be, of course, an absolute commitment. Mr. Dillon replied that perhaps it would be better to discuss this in a month since everything was now in flux. With this Mr. Nehru agreed, noting that he had not expected such an

³ Not printed.

important decision to be made immediately, but that he hoped that it could be made before the September Commonwealth Economic Conference. He argued that the results which the USG would obtain from substantial assistance to India's economic development at this crucial time would be much greater than the results which might be obtained by expenditures which it was now incurring in connection with the Middle East and there would be no question of morality involved. Mr. Dillon assured Mr. Nehru that there was certainly no question of morality involved other than in a positive sense in the United States Middle East actions. Speaking frankly, Mr. Dillon said, Congress would be influenced as a matter of hard fact by India's actions in connection with the developing world situation. To this Mr. Nehru replied that India would certainly do all that it could short of changing its foreign policy. There would certainly, however, be a great deal of public criticism of the United States actions in the Middle East, for India could not control the right of free speech by its countrymen.

Once again Mr. Nehru explained India's need for a word of sympathy and support which he hoped might be forthcoming at the August "creditors" conference and again hoped that the USG would be able to set aside 25% of any new DLF funds for India's needs, noting that India constituted in population 40% of the underdeveloped world and, from the point of view of influence, 60%. Even before DLF, India was receiving between 27% and 30% of development assistance funds.

Since he had been questioned, Mr. Nehru stated, by both the UKG and the IBRD regarding India's defense expenditures, he wished to make it clear that the forecast of India's needs set forth in the tables referred to above did not include the cost of any additional armaments. He could only hold this line, however, if the USG did not give additional arms to Pakistan. Mr. Dillon replied that he was happy that Mr. Nehru had raised this subject since someone had told him that India had been spending almost \$200 million a year on purchasing arms. It had occurred to some of us, Mr. Dillon continued, that the UKG should not expect immediate payment in cash for the arms which it was selling to India, but could stretch out such payments a bit. Mr. Nehru replied that this would be difficult for the UKG to do since it regarded the sale of arms as a purely commercial "deal" and could not discriminate in favor of one Commonwealth country over other Commonwealth countries which were also purchasing similar equipment from the UK. It would be far better for the UK to give assistance, therefore, to India without tying it to any particular use. This would constitute a sort of "overdraft" by the UK, which had for years been India's principal banker.

Mr. Dillon inquired whether Mr. Nehru felt that it might not be possible to obtain more aid from West Germany. In response Mr. Nehru explained that he did not know, that he really had not developed a "feel" for the German situation, but perhaps he would have a better understanding of it after his forthcoming visit to the country.

In connection with what might be planned for the period after the Second Five Year Plan, Mr. Nehru stated that many people in India were tinkering with fantastically high figures for continued development, but in responsible quarters, such as the Planning Commission, there was no thinking along these lines. He and all responsible persons in the Government of India recognized that the Third Five Year Plan must not be designed along lines which would require anything like the present scale of assistance from abroad. Mr. Nehru knew that Mr. Dillon would appreciate how much the Government of India resented having to go abroad to beg for funds. His Government was determined that they would never put themselves in a position again which would force them to do this. It would of course mean a slower rate of development than perhaps might otherwise be possible, but this was realistically being regarded as an unfortunate necessity. Mr. Dillon said that such a realistic approach to a Third Five Year Plan would have a favorable effect upon Congressional deliberations should special legislation have to be considered.

214. Editorial Note

Beginning on August 25, a 3-day meeting of the principal countries helping to finance India's development program was held in Washington to discuss current Indian financial problems. The meeting, which was sponsored by the International Bank for Reconstruction and Development, was attended by the United States, the United Kingdom, the Federal Republic of Germany, Japan, and Canada. As a result of the meeting, the IBRD and the participating countries agreed to make approximately \$350 million available to India to help fill its foreign exchange gap for the period up to March 31, 1959. "This amount coupled with reasonable drawdown GOI reserves," the Department of State noted, "should see India through immediate critical period. B. K. Nehru has expressed to Department elation over results meeting which considered highly successful by all participants." (Telegram 493 to New Delhi, August 28; Department of State, Central Files, 398.14/9-2858) The United States indicated at the meeting that it was prepared to provide up to \$100 million in Development Loan Fund

assistance, depending on agreements with the Indian Government on projects to be financed. The United States indicated that it was also prepared to extend P.L. 480 assistance in the initial amount of \$200 million and to defer payments on India's wheat loan with a resulting relief of \$3.5 million for India during the current fiscal year.

215. Telegram From the Embassy in India to the Department of State¹

New Delhi, August 26, 1958—9 p.m.

473. Cirtel 1043;² Embassy despatch 485 November 8, 1957;³ MSP master program book FY 1960 submitted August 3;⁴ Embtel 405 August 19, 1958.⁵

1. Referenced documents reflect Mission's views on courses of action, as coordinated by me through country team mechanism and on basis by judgment of necessary balance in programs, designed to achieve US objectives in India.

(A) Essentially, our objectives center about need for India to have stable, non-communist government, economically sound and favoring free world, which will give hope for building an Asian bulwark against challenges of international communism, especially Communist Chinese strength and ideology.

(B) Economic growth in India is essential to India's future ability fill that role. Because of India's importance and size, free world aid is necessarily of relatively large magnitude.

¹ Source: Department of State, Central Files, 791.5-MSP/8-2658. Secret. Repeated to Karachi, Kabul, London, Tokyo, Colombo, Madras, Bombay, and Calcutta.

² Circular telegram 1043, May 5, sent to all major diplomatic posts for the chief of mission, requested estimates for the fiscal year 1960 Mutual Security Program. The cable requested overall analyses of U.S. objectives and the role of various U.S. and non-U.S. programs in fiscal year 1960 in achieving U.S. objectives. (*Ibid.*, 120.171/5-558)

³ Despatch 485 transmitted the Country Team's assessment of India's overall situation at the beginning of Nehru's second term. The study totaled 90 pages. (*Ibid.*, 791.00/11-857)

⁴ Not found.

⁵ In telegram 405, the Embassy offered its recommendation for a new P.L. 480 agreement with India, suggesting that it was "critical for Indian political-economic stability and economic development." (Department of State, Central Files, 891.23/8-1958)

2. Good balance has been achieved in planning so far as it is now possible to plan for 1960. FY 1960 and subsequent programs of the various agencies must work for certain added "balance" in content and execution (noted below).

We must of course have the requested resources to begin coordinated execution of the proposed programs for achievement of US objectives.

3. I am convinced India can make truly effective use of US aid. There are faults in Indian organization and execution of its development programs. Some of these are being corrected. At same time these faults should not obscure facts of success to date and strengths inherent in India's resources and will to develop. Reduced second plan goals are, in my opinion, capable of substantial achievement.

4. I firmly believe referenced country team submissions have indicated the minimum levels of economic aid required to give real hope for achievement to four [our?] objectives in India and Asia.

5. Recent growth in awareness of free world's common interest in Indian economic problems (as evidenced by World Bank-sponsored meeting this week in Washington) promises a coordinated, effective approach. The apparently healthy attitude of cooperation and consultation all countries coming to this meeting could bring the necessary amount of economic aid at least cost to each country.

I believe that, even with the optimistic estimates of other free world aid to India and draw down of India's own reserves in next three years, there is clearly revealed need for substantial and early US aid to India—by special legislation if necessary. In this fiscal year after probable other non-US aid, India will need substantial US assistance in meeting its foreign exchange obligations if India is not to draw down reserves to a level which will cause large illegal flight of capital, greatly increasing aid needed.

7. While the first problem is help India achieve present plan, we must now also consider India's third plan and desirability of GOI consultation with US and other aid sources on the third plan.

8. Official programs to date have been well coordinated. I am pleased with the effective "cross-support" of US objectives achieved in execution of MSP dollar aid and EXIM Bank, PL 480, technical cooperation, USIS and various exchange-of-persons programs.

9. ICA and IES exchange-of-persons programs are coordinated by mission-wide consultation including consideration by my education exchange coordinating committee which also includes when appropriate, Ford and Rockefeller representation and takes into account activities of UN and other agencies.

(A) More adequate budgetary support is required for exchange activities. We propose in FY 60 to stretch PL 402⁶ dollars by using US owned local currency for part of transport costs of certain grantees previously financed entirely by PL 402 dollars, but it is my firm belief that US objectives could be better served by at least doubling IES dollar allocations for India.

(B) In view of rising administrative costs of US information programs, of broader opportunities for effective work and of increasing Communist propaganda offensive in India (joint Embassy–USIS despatch 1373 of May 12, 1958)⁷ additional funds are needed for specific activities [such] as an enlarged exhibits program, publication of *American Reporter* in additional Indian languages, increase in circulation of *American Labor Review*, and a slick magazine to compete with impressive Communist journals. Increased budget projections for FY 60 reflect my views on what is required for reasonably adequate educational exchange and information programs.

10. Usefulness to our efforts of the large supplies of agricultural commodities under Title I of PL 480 is unquestioned in my mind and GOI's. India could not have paid for past quantities PL 480 food with its own foreign exchange; substantially smaller imports would certainly have led to large scale human suffering, inflation, economic dislocation and consequent deterioration of political stability.

(A) I believe we should now seek additional authority for an agricultural commodity supply under Title I of PL 480 principally of food grains, for at least remainder of second plan. Such program in addition to supplying measure of stability in the vital food sector of the economy could, and should, be made to bring into focus for the government and people of India the need to devise effective measures to increase agricultural production.

(B) With regard PL 480 receipts, we should decide soon what disposition we wish to make of the rupee loan repayments arising from PL 480 program so as to make largest possible contribution to US objectives of increased economic and social advancement. Magnitude of these funds effectively precludes their expatriation from India in form of resources for a long time to come.

⁶ The U.S. Information and Educational Exchange Act, or the Smith–Mundt Act, approved January 27, 1948, authorized a comprehensive information and educational exchange program. (62 Stat. 6)

⁷ Despatch 1373, 47 pages in length, reported on the increasing Communist propaganda campaign in India. In the introductory section, Ambassador Bunker noted in part: "It is the strong feeling of the Country Team that the United States should lose no opportunity to anticipate and forestall where possible, and otherwise to meet and counter Communist efforts to win over the people of India. Much of the required United States effort will be on the political and economic fronts, but in view of the expanding propaganda activities of Moscow, Peking and the satellites, together with what appears to be a deteriorating political situation within India, it is important that greatly increased effort be made in the fields of information and education as well." (Department of State, Central Files, 511.91/5–1258)

(C) Cooley amendment⁸ funds have considerable potential benefit, when rate of US investment in India shall have grown enough to make effective use of local currency in desired amounts. At present, however, realities dictate use for this purpose something near 10 percent rather than 25 percent of PL 480 rupee proceeds. Maintenance of 25 percent level would involve sums which would take years to use and would cause political embarrassment for GOI by giving opportunity to opposition while alarming our friends.

11. To date, Export-Import Bank assistance has been effectively coordinated with DLF and other programs. I believe that additional Export-Import Bank loans may be necessary to assist India in meeting the foreign exchange costs of critical developmental imports and further serve US aims by stimulating US private business arrangements in India. This should be accomplished, of course, without diminishing future IBRD willingness loan to India.

12. Coordination of MSP programs and projects with GOI is now good and continues to improve. GOI is becoming more cooperative as result its own growth in experience and comprehension of US programs' effectiveness. TCMs end use checks are serving a constructive purpose now better understood by GOI. These checks and reviews will be continued.

13. Official US programs are well coordinated with private US programs. Resident representatives of Ford and Rockefeller Foundations consult fully with me and with appropriate Embassy and TCM officials on projects and policy, so that coordination is effected in a manner which will not prejudice beneficial private aspects of their programs.

14. IBRD and our own activities seem well coordinated in Washington and by consultation with IBRD resident representative in India. US participation Colombo Plan meetings and consultation at the Embassy level in India has been sufficient to produce complementary programs. With the increase in Colombo Plan and other countries "aid, this area of coordination will require even greater care."

15. The Communist economic offensive in India has taken no new turn in recent months. It remains a serious danger in its emphasis on monumental projects, technical assistance and use of trade for general propaganda as well as specific benefits. Opportunities for Communist use of trade for specific purposes have been found in Kerala. In event further drop in Indian exports, India may be forced increase its volume of trade with Communist countries.

⁸ Reference is to an amendment to the P.L. 480 extension bill of 1957, introduced by Congressman Harold D. Cooley (D.-N.C.) which earmarked up to 25 percent of the local currencies acquired under Title I for loans to U.S. or foreign firms to promote expanded markets for American products abroad. The bill was approved on August 13, 1957. (71 Stat. 345)

16. We must be alert to possibilities of shifts in project emphasis which can improve prospects achievement US objectives:

(A) In course of assistance for India's present and future payments problems, some "impact" projects should be undertaken in their entirety by US. PL 480 local currency also should be allocated to some projects for which US meets the foreign exchange cost—so that the US "label" may be applied to the whole of these projects.

(B) Through our program execution and consultation with the GOI, we must also stimulate more development in south India to mitigate India's "north vs south" conflicts and to lay ground for demonstration superior Congress Party economic capabilities as compared Kerala Communists.

(C) Bengal as state next most susceptible to Communist disorder and the voters' dissatisfaction, should have specific aid projects of political nature. This may well require grants of dollars as well as rupees and active persuasion of GOI and GOWB to produce projects we can support.

(D) Technical cooperation and certain other FY 1960 programs must take cognizance of need for (1) many more Indian trainees in US—most immediately an adequate steel trainee program which will have a direct beneficial effect upon US politico-economic objective; absence of such program will mean dangerous flood of Communist-trained technicians; (2) a strong non-Communist labor organization in India and, to this end, trade union exchanges and provision of first class personnel for labor management projects; (3) more enlightened Indian management through cooperation US employer organizations and American universities, and (4) increased Indian agricultural output as vital base for Indian economic progress and political stability.

(E) We must anticipate and take steps, through official and other US programs, to counter specific parts of the Soviet economic offensive in India, where such US counter-moves are constructive and in keeping with general composition our programs. Prime examples of such US action in past include the USIS aid to experimental TV in India and US industry's aid to Indian pharmaceutical production. This would not mean that US programs are dictated by Soviets.

(F) Indian trade ties with South Asian and Southeast Asian countries should be strengthened or, where practically nonexistent, stimulated by US programs with the help of PL 402 Section 104 (D) funds.⁹ From US and Indian standpoint such action could help meet the rapidly growing challenge of Communist Chinese trade penetration of Southeast Asia.

17. US private investment in India has shown heartening trend in the last two years. There has been modest improvement in specific factors contributing to Indian "climate" for investment, helped by official and privately-sponsored visits of business groups, economic journalists and the like. But achievement US objectives in India requires more US private initiative. Understandably, US risk capital is

⁹ Reference is to Section 104 (D) of P.L. 480 which provided for the use of counter-part funds.

hesitant, what with recent developments in Middle East and Southeast Asia. In net, however, I am convinced that India is good risk for private capital. If foreign private capital comes in sufficient quantities it will greatly improve the climate and profit outlook for further investment.

18. There has been progress on certain Indo-US agreements which help India's climate for investment. We should continue these efforts, including rapid action in Washington once active negotiations begin. But considerable further action needed (including, where feasible, Export-Import Bank loans to stimulate US equity investment) at least to increase US firms' consideration of investment in India.

19. In connection with other aspects of our total program, I should like to stress the fact that recently increased prior consultation and exchanges of information between the USG and GOI are proving highly useful. This program should be accelerated. Indians have learned great deal in recent years and months (and have much yet to learn) about Communist evasions, calculated digressions and aggression and about real nature of US aims and policies. A stepped-up US campaign of exchange confidential information and consultation can serve to further our interests and increase effectiveness of our integrated programs.

20. In sum, we are fortunate to have, as well as base to build upon, such strengths as India's will to achieve development, its natural resources, and choice of democratic institution.

Bunker

216. Memorandum of a Conversation Between the Indian Commissioner General for Economic Affairs (Nehru) and the Under Secretary of State for Economic Affairs (Dillon), Department of State, Washington, August 26, 1958¹

SUBJECT

Call by B. K. Nehru on Mr. Dillon

Mr. Nehru explained that he was calling to pay his respects in his new capacity as Commissioner General for Economic Affairs. He will be based in Washington, but would be traveling to other countries as

¹ Source: Department of State, Central Files, 033.9111/8-2658. Official Use Only. Drafted by Leon B. Poullada.

occasion required. He stated that the first day's meeting of creditor nations appeared to have revealed a very satisfactory and cooperative attitude on the part of all concerned and a disposition to assist India in meeting its current financial problems.²

Mr. Nehru inquired what was the present status of DLF funds. Mr. Dillon replied that the DLF appropriation of \$400 million was, of course, less than hoped for, and that consideration was being given to making a new request to Congress in January, 1959 for an additional \$25 million. Mr. Nehru inquired what the present thinking was on DLF aid to India to which Mr. Dillon replied that the figure of \$100 million previously discussed was still valid, although some downward revision might be necessary in view of the reduced appropriation for DLF.

Mr. Nehru said that he again wanted to mention the problem of utilization of such DLF funds as might be made available to India, particularly the question of using DLF funds for discharging past commitments. Mr. Dillon recognized that this presented a problem, both mechanically and because it would tend to establish precedents to which other countries might be able to point. However, there appeared to be no legal bar to using DLF funds in this manner although there was a legislative provision against using DLF funds to retire debts. However, the question of when a commitment constituted a debt is subject to interpretation. We must not lose sight of the fact that the purpose of extending DLF assistance to India is to help in the present crisis and it would not make sense to require that India enter into new commitments in order to utilize the projected DLF assistance. Mr. Dillon added that he would discuss this matter further with the DLF.

Mr. Nehru then inquired whether any funds such as those appropriated for Special Assistance might be available for India.³ Mr. Dillon explained the purpose of Special Assistance funds, stating that these funds were already fully programmed and that many new and unforeseen requirements, such as those developing from the Middle East situation, would make heavy demands on all funds available to the Executive Branch for foreign assistance.

Mr. Dillon stated that one of the problems causing some concern to the U.S. was what would follow the completion of India's Second Five Year Plan. He hoped that future plans would be more realistic so that India would not again be faced with financial crises such as those experienced under the Second Five Year Plan. Mr. Nehru said that India had learned a bitter lesson from its present difficulties, and that

² See Document 214.

³ Reference is to the President's Fund for Asian Development, first established under the Mutual Security Act of 1955.

he was certain future planning would be more realistic and would concentrate on projects such as agriculture and roads which were of a labor intensive nature rather than capital intensive nature. He said it would be of great assistance to India, in future planning, if it could have some idea in advance of foreign aid funds which would be available from the United States. Mr. Dillon explained that it was, of course, not possible to predict in specific terms what future foreign aid appropriations would be. In general, however, the leaders of both political parties are in favor of continuing foreign aid and the trend in public opinion is in favor of expenditures for economic development rather than for military programs.

Mr. Nehru said that India's food crop this year was substantially less than anticipated and hoped that PL 480 assistance would be forthcoming promptly. Mr. Dillon assured him that this matter was receiving urgent attention and that we hoped to have the program in shape for presentation to Mr. Desai during his visit here in September.

Mr. Dillon mentioned that the Government of India had recently made available certain figures on its defense expenditures for the balance of the Five Year Plan. Mr. Nehru stated that he knew there had been speculation in some quarters that India's defense expenditures were higher than they actually were; that the Government of India had no objection to making these figures available to the U.S.; and that the Government of India intended to enter into no new defense commitments involving foreign exchange beyond those already contracted.⁴

⁴ On August 28, B. K. Nehru also paid courtesy calls on Acting Secretary Herter, Assistant Secretary Rountree, and Deputy Assistant Secretary Kennedy. Memoranda of those conversations, drafted by Poullada, are in Department of State, Central Files 033.9111/8-2858.

217. National Intelligence Estimate¹

NIE 51–58

Washington, September 2, 1958.

THE ECONOMIC AND POLITICAL CONSEQUENCES OF INDIA'S
FINANCIAL PROBLEMS²

The Problem

To estimate probable economic and political consequences of India's financial problems.

Summary and Conclusions

1. India, midway through its Second Five Year Plan (1956–61), has encountered increasingly serious economic difficulties during the past year. Pledges at the end of August 1958 of \$600 million in new aid (including \$350 million for the current year) by the US, other Western countries, and the International Bank for Reconstruction and Development are expected to cover India's immediate needs and to reduce its foreign exchange gap for the remaining period of the reduced Plan to about \$400 million. This estimate of the gap excludes the cost of the bulk of the very substantial food import requirements which the Indians hope to obtain under the PL-480 program. (Paras. 4–10)

2. Nevertheless, India will continue to depend heavily on foreign assistance. If it fails to obtain the aid still needed to close the foreign exchange gap, it will probably fail to achieve even the present reduced goals of the Plan. The recent trend toward a weakening of the Congress Party and toward an increase in Communist strength would almost certainly be intensified. If, on the other hand, India gets a

¹ Source: Department of State, INR–NIE Files. Secret. National Intelligence Estimates were interdepartmental reports appraising foreign policy problems. NIEs were drafted by officers from those agencies represented on the Intelligence Advisory Committee, discussed and revised by interdepartmental working groups coordinated by the Office of National Estimates of the CIA, approved by the IAC, and circulated under the aegis of the President to appropriate officers of cabinet level and the members of the NSC.

According to a note on the cover sheet, the following intelligence organizations participated in the preparation of this estimate: the CIA and the intelligence organizations of the Department of State, Army, Navy, Air Force, and The Joint Staff. All members of the IAC concurred with the estimate on September 2 with the exception of the representatives of the Atomic Energy Commission and the Federal Bureau of Investigation who abstained since the subject was outside their jurisdiction.

² Supersedes NIE 51–57: "Consequences of Economic Crisis in India," dated 8 October 1957. [Footnote in the source text. NIE 51–57 is not printed.]

substantial part of the additional foreign exchange it needs, important economic progress will be made and the prospects for maintaining an effective parliamentary system under moderate leadership will be strengthened. Even in this case, however, the country would still be a long way from solving its principal economic difficulties, unemployment and food, or its basic political and social problems. (Paras. 16–25)

3. India is so thoroughly committed to a policy of neutralism that any significant change in foreign policy during the next few years is most unlikely regardless of whether India gets the aid it needs from the West, from the Soviet Bloc, or not at all. However, the political and economic instability which would follow a breakdown in the development program would result in India's becoming increasingly vulnerable to extremist, and especially Communist, influences. (Paras. 28–30)

Discussion

1. *The Economic Problem*

4. The economic problems facing India, which is now mid-way through its Second Five Year Plan (1956–61), have intensified greatly during the past year. Drought conditions resulted in a sizeable reduction in food production in 1957–58; prospects for the 1958–59 crop are no better than average. During the remainder of the Plan period, India will probably have to import at least twice as much food as originally forecast. Prices, which appeared to have stabilized last year, are moving slowly upward again—chiefly as a result of fear of a possible food shortage, although heavy deficit financing has also contributed to the price rise.

5. The rate of increase of industrial production for 1957–58 was lower than in recent years, reflecting in part scattered shortages of imported raw materials. Nevertheless, total imports have risen sharply, mainly as a result of increased purchases of food and defense equipment as well as of capital goods. Exports have declined somewhat and probably will rise only slowly for the remaining period of the Second Plan. Foreign exchange reserves have already declined about three times more than was anticipated for the entire Plan period, and they are nearing the danger point.

6. The foreign exchange shortage has adversely affected not only the Second Five Year Plan but the whole Indian economy. Imports for the Plan are only a small part of the total imports required to keep the economy operating at or near capacity. The government has already curtailed imports of raw materials and semi-finished goods to the point where some factories have reduced production, and others are maintaining production only by living off stocks. Consumer goods imports—excluding foodstuffs—have also been sharply curtailed.

7. The Second Five Year Plan has been cut back to adjust to these unfavorable developments. The reductions have been primarily in the field of social services. In 1957, the expenditure target for the public sector of the Plan was revised downward from the equivalent of \$11.5 billion to \$10.1 billion. It has now been in effect reduced to \$9.5 billion, of which about \$2.2 billion must be provided by foreign aid. Actual outlay will probably not exceed \$9.0 billion. This would reduce total cost of the public sector of the Plan and probably physical achievement by about one-fifth. The private sector, for which an expenditure of \$5.0 billion was originally scheduled, is likely to achieve only about three-fourths of the targets set for it in the Plan, principally because of inadequate foreign exchange.

8. Despite the latest reduction in the Plan, the total uncovered balance-of-payments deficit on current account for the Second Plan period appeared to be considerably greater than was anticipated a year ago. At that time an uncovered deficit of \$1.4 billion was estimated for the remaining 3½ years of the Plan. In the spring of 1958, however, Indian officials estimated that, despite additional foreign aid of about \$500 million, the deficit for the final three years (April 1958–March 1961) would still be \$1.3 billion.³ Principal reasons for the increase were a lower—and more realistic—estimate of export earnings, rising prices of imported capital goods, and higher defense expenditures. This estimate of the deficit excluded the cost of the bulk of anticipated food imports, which the Indians assume they will obtain under the PL-480 program. The new estimate of the deficit appears to have been reasonable, although events may require some revision.

9. Assuming that its gold and foreign exchange reserves are permitted to fall to \$500 million, India will be able to finance approximately \$300 million of the deficit out of its reserves. To run the reserves down much below \$500 million would risk undermining confidence in the currency and would probably bring about some capital flight. At the present rate of drawdown, reserves will reach \$500 million by the end of this calendar year. Assuming such a use of reserves, the uncovered foreign exchange gap to be filled by external sources during the remaining period of the present Plan was estimated at approximately \$1.0 billion. The most critical aspect of India's financial problem was that \$300–350 million of the \$1.0 billion was required during the present Indian fiscal year, ending 31 March 1959.

10. In a meeting sponsored by the IBRD in Washington 25–27 August 1958, Canada, West Germany, Japan, the UK, the US, and the IBRD indicated their intention to provide India with approximately \$350 million in new aid before the end of the present Indian fiscal year. In addition, various of the participants expressed their intention

³ Table I. [Footnote in the source text. Table I is not printed.]

to make available another \$250 million in aid during the final two years of the Plan period. Thus, India's foreign exchange gap for the remainder of the Plan period has been reduced to an estimated \$400 million. (See Table II.)⁴

II. Impact of Military Spending

11. India's foreign exchange problem is aggravated by imports of military equipment. Indian officials have indicated that about \$200 million in foreign exchange was spent for military purposes in FY 1957-58 and that something under \$400 million is projected for the last three years of the Plan period. About half of the latter amount will probably fall due in the present fiscal year. According to Indian officials, over \$20 million of the \$400 million is for deliveries contracted for prior to 1 April 1958, including British and French jet aircraft and a British aircraft carrier which is scheduled for delivery in 1960. We believe the estimated remaining balance of under \$200 million for normal upkeep and operating expenses of the military establishments which must be made abroad during the final three years of the Plan period may be inadequate.

12. Apart from the foreign exchange problem, the Indian military program is a major claimant for internal resources. The defense budget rose to \$640 million in FY 1958-59, i.e., about 35 percent of the ordinary budget or 18 percent of the central government's total budgetary expenditures, including outlays for development. While India may pare a certain amount from its planned military expenditures during the remainder of the Plan period, it is very unlikely, barring a major change in relations with Pakistan, to reduce them sufficiently to bring any significant relief in financing the Plan. In fact, India might further step up its military expenditures if it believed that Pakistan was increasing its military buildup or becoming more belligerent, even though India's present military establishment of about 450,000 men is more than twice as large as that of Pakistan.

III. Prospects for Aid

13. While previously the emphasis was on the need for aid to cover new development projects, the problem as more recently recognized has been to obtain foreign exchange to finance projects already begun under the Plan and to cover the cost of other imports required for the current operations of the economy. India has also recognized the need in seeking new credits, to avoid insofar as possible an aggravation of the very heavy debt servicing burden which it already faces

⁴ Not printed.

for the years immediately following the present Plan period. These considerations were reflected in the type and terms of the \$600 million new aid just pledged to India. (See paragraph 7.)

14. India appears almost certain to obtain from Western sources at least some of the remaining \$400 million it will need during the last two years of the Plan period. At the IBRD conference, the UK undertook in principle to continue its support of India beyond the current fiscal year. The other participants also expressed continuing interest in India's long-term financial problems.

15. India has already accepted about \$325 million in long-term project loans from the USSR and some of its European satellites. It is probably prepared to accept such further Bloc aid as it feels would be useful to the development program, particularly if its remaining foreign exchange gap is not closed by Western aid. However, additional aid for complete projects of the type already granted to India by the Bloc is not what India needs to meet its financial problem during the remainder of the Plan period. We consider it unlikely that the Bloc would extend substantial credits in gold or convertible foreign exchange. It might, however, be prepared to supply some additional aid for projects now underway or to take some of the pressure off the Indian foreign exchange squeeze by supplying imports of currently needed commodities, such as petroleum and steel, on favorable credit terms.

IV. Economic Outlook

16. The prospects, not only for the Second Five Year Plan but for the entire Indian economy, still depend heavily on the extent to which India is able to get the foreign exchange needed to fill the remaining gap. If, as now appears unlikely, India had little or no success in obtaining additional aid, some further cuts would probably have to be made in the development program. Raw material imports would have to be further reduced in the last two years of the Plan period. A rise in unemployment, a decline in the value of the rupee and a flight of capital, and general curtailment of investment would probably follow. While substantial progress on development projects has already been made and more is assured, the momentum gathered by the economy would be reduced and the Plan would probably fail to achieve even its present goals.

17. On the other hand, if India obtains all or nearly all of the foreign exchange required to close the gap, important, though moderate, economic progress would be achieved. Gross national product would probably increase about 20%, and per capita income about 10%, during the period of the present Plan. The newly completed factories would probably reduce many present import requirements, and practically eliminate steel imports, which are running at over \$300

million a year. The basis would be laid for continuing the process of modernizing the economy and for bringing India somewhat closer to the point where growth would be self-sustaining.

18. Even so, the country would still be a long way from solving its two principal economic problems: the provision of adequate employment and food for its people. A solution of these problems, if it is ever to be achieved, would require a development effort extending over many years. The present reduced Plan is expected to create an estimated 6.5 million jobs outside agriculture, but this figure is 1.5 million below the expected growth of the urban labor force during the same period. It appears likely that India will continue to require substantial food imports even at the end of the Second Plan period. India's foreign reserve position will remain precarious, and it will find it difficult to service the heavy foreign debts already incurred as well as to finance a Third Five Year Plan. An attempt will probably be made to delay repayment of some obligations. All of these factors have already caused Indian leaders to declare that the Third Plan will place increased emphasis on agriculture and small industries which require less imported equipment for expansion.

19. Although India's flexibility in the allocation of its foreign assets is limited by the fact that many projects have been financed by loans which cannot be used for other purposes, it will gain some maneuverability as a result of the \$600 million in new aid pledged recently. Even in the present Plan there probably are still a few projects which could be stretched out without major repercussions. If sufficient additional foreign aid to close the gap is not forthcoming, the government may feel compelled in the final stages of the Plan to cut back more deeply on imports of raw materials and semi-finished goods—even at the immediate cost of declining production and rising unemployment—in order to complete major projects.

V. Political Outlook

20. *Nehru and the Congress Party.* Prospects for political stability in India depend to a large degree on progressive economic development. Nehru and the Congress Party have identified themselves closely with the development program, and their political fortunes will be affected by the outcome of the Second Five Year Plan. Popular interest in and approval of the development program are reflected in the general support given it by the opposition parties. The Communists, however, have accused the government of inefficiency in executing the Plan and have attacked the reduction of the Plan's original targets.

21. The major share of credit for a substantially successful Second Five Year Plan would almost certainly go to Nehru and the Congress Party. This would not only redound to their political advantage in the next general elections (which are due by the spring of 1962—about a

year after the end of the Plan period) but, more importantly, would support the present democratically inclined leadership in India's struggle for unity, stability, and economic betterment. Even when Nehru—and perhaps even the Congress Party as it now exists—disappear from the scene, the prospects for continuation of an effective parliamentary system under moderate leadership would have been strengthened.

22. Even if the government obtains only a part of the aid needed to close the remaining foreign exchange gap, it will be able to complete a sufficient number of large-scale projects with significant psychological impact on the public (e.g., steel mills and dams) to be able to claim credit for major achievements. However, this favorable effect would be counterbalanced by popular restiveness over the austerity measures imposed to maintain the development program in operation and by widespread recognition that even these sacrifices were not producing the benefits initially hoped for. Reduction of social welfare programs and postponement of specific development projects would adversely affect local political attitudes.

23. Even assuming substantial success of the development program, India's ability to carry on as a united and democratic nation cannot be taken for granted. The future of the Congress Party, and more broadly of the democratic system in India, will probably be determined in the longer run as much by political and social as by economic factors. Divisive forces of caste, language, and regionalism will continue to pose a threat to the unity of India, although marked economic progress would contribute significantly to keeping them in check. The Congress Party, presently one of the country's major unifying factors, is tending to become estranged from the mass of the people because of its poor performance and leadership in the lower levels, its toleration of corruption and nepotism, increasing factionalism, and the lack of discipline of its local leaders. Dominance of the party leadership by Nehru and the "old guard" has prevented the emergence of vigorous new leaders. No effective steps have yet been taken to remedy these deficiencies nor are any likely to be taken so long as Nehru and other top party leaders remain preoccupied with their governmental roles.

24. The Congress Party nevertheless continues to possess important, although declining, elements of strength: Nehru's great personal prestige, a functioning organization throughout the country and a reservoir of respect and loyalty (especially among the peasants) for its role in winning Indian independence. Perhaps most important of all, there appears to be little likelihood that the present fragmented and indecisive non-Communist opposition will be able for some time to present a more serious challenge to the ruling party than it has in the past. Thus, on balance it appears likely that the ideas, methods, and

many of the leaders now represented by the Congress, will continue for a considerable time to exercise an important influence on the Indian political scene.

25. On the other hand, while the danger of a collapse of the Second Five Year Plan has been reduced substantially by the recent pledges of new aid, any further major reduction in Plan targets and achievements would weaken the faith of the Indian people that the kind of society and leadership represented by Nehru and the Congress Party was capable of coping with India's problems. The Communists and other extremists would probably make significant additional gains. The Congress Party could probably stay in power at the national level for some time because of its control of the machinery of government and the lack of an organized national opposition, but political stability would probably deteriorate fairly rapidly as the people responded to the more radical proposals of extremist groups.

26. *The Communist Party.* The Communist Party would probably benefit most from a decline in Congress Party strength. It is better organized than any other opposition party, and its members are more disciplined. It has attained a degree of respectability in recent years through its espousal of a policy of constitutional activity, whose showpiece is the Communist-governed state of Kerala. It has recently made significant gains in local elections in other states. It alone offers a clearcut alternative to the "old" or Congress way of doing things. Even if the Plan is successful, the Communist Party will probably attract increasing popular support in areas, such as West Bengal, where poverty and unemployment will remain acute. The Communists would be able also to make political capital out of the cancellation or postponement of Plan projects in given areas. In any case, the Communists will find fertile ground for their propaganda for many years to come among the growing ranks of the "educated unemployed" and the urban, industrial working force.

27. At the same time, the Indian Communist Party has shown little success in ridding itself of its traditional factionalism and still suffers from the stigma of foreign control. It has limited appeal in many areas of the country. If it were to lose control of Kerala state after failing to provide good government and economic improvement, its chances of extending its influence elsewhere would probably be reduced. On balance, we believe it unlikely that the Communists will be a serious threat to Congress Party control of the national government in the 1962 elections. Their strength will probably increase, however, and they will almost certainly continue for some years to be the major challenger to the Congress Party.

VI. The Outlook for Foreign Policy

28. India has during the past ten years so thoroughly committed itself to a policy of neutralism that any significant change in foreign policy appears most unlikely during the next few years regardless of the outcome of the development program. In recent months, however, Indian suspicions of the Bloc have been reinforced by the execution of the leaders of the Hungarian revolution and by harassment of Tito.⁵ At the same time, Nehru privately, if not publicly, appears to have become somewhat more sympathetic to the US on some issues.

29. India's appeal to the West for aid last year—the first such approach made by India—and again this year reflects not only India's belief that the best chance of obtaining the substantial aid which it needs lies in the West, but also its preference for obtaining such aid from the West, if possible. If Indians are convinced that the US has exerted itself to make a major contribution to their development program, some additional good will would almost certainly be created, although increased political cooperativeness as a direct result of expanded aid is highly unlikely. Most politically conscious Indians see the US as an enormously wealthy and prosperous country which has a duty to assist the underdeveloped areas of the world. Issues such as US military assistance to Pakistan, sponsorship of military pacts, and policies toward Communist China will continue to be more decisive than foreign aid in setting the tone of Indo-US political relations.

30. If India is subsequently forced to make further cutbacks in its development program as a result of failure to obtain the necessary aid from the West, some resentment against the West would almost certainly ensue and there would be increased attention to the Soviet Bloc as a source of economic assistance. If the Bloc also fails to supply the needed aid, the ensuing political and economic instability would strengthen the disruptive forces within the country. In such a situation India would become increasingly vulnerable to extremist, and especially Communist, influences.

⁵ Josip Broz Tito, President of Yugoslavia.

218. Editorial Note

Finance Minister Morarji Desai was in Washington September 6–9 for a series of discussions with U.S. officials. On September 8, he met with Rountree, Dillon, and Dulles. The following day, he met again with Dillon. Memoranda of these conversations, along with briefing material for the Desai visit, are in Department of State, Central File 033.9111. The memorandum of the conversation with Dillon on September 8 is printed *infra*.

At the conclusion of Desai's visit to Washington, the Department of State issued a press release summarizing his discussions with U.S. officials; for text, see Department of State *Bulletin*, October 6, 1958, page 535. According to the press release, Desai also met with Robert Anderson, Samuel C. Waugh, James H. Smith, Jr., Assistant Secretary of the Treasury Thomas B. Coughran, and Secretary of Agriculture Ezra Taft Benson; no record of these conversations has been found. Telegram 594 to New Delhi, September 12, summarized the highlights of the Desai visit. (Department of State, Central Files, 033.9111/9–1258)

219. Memorandum of a Conversation, Department of State, Washington, September 8, 1958¹
SUBJECT

Mr. Desai's Call on Mr. Dillon

PARTICIPANTS

Mr. Morarji Desai, Finance Minister of India
 Mr. B. K. Nehru, Commissioner General, Government of India
 Mr. L. K. Jha, Special Secretary, Ministry of Commerce and Industry, Government of India
 Mr. H. Dayal, Chargé d'Affaires ad interim
 Mr. P. Govindan Nair, Economic Minister, Embassy of India
 Mr. Tom B. Coughran, Assistant Secretary, Treasury
 Mr. Ralph Hirschtritt, Treasury
 Mr. C. Douglas Dillon, W
 Mr. William Turnage, OFD
 Mr. Leon B. Poullada, SOA

¹ Source: Department of State, Central Files, 033.9111/9–858. Confidential. Drafted by Poullada.

After welcoming Mr. Desai to Washington, Mr. Dillon expressed interest in the future of India's economic development plan stating that he understood that some thought was being given by the Government of India to stressing agricultural development. Mr. Desai confirmed that agriculture loomed very large in the thinking of Indian officials for future planning purposes. The Government of India hopes, eventually, to have five fertilizer plants in the government sector and will also encourage private enterprise in this field. He stressed that one of the difficulties was to convince backward farmers that modern methods of agriculture would produce results. He then discussed, at some length, the historical and social forces which hindered rapid agricultural development. Bringing the picture up to date, Mr. Desai stated that India had just had a very bad crop year which resulted in a shortfall of 6.7 million tons of food grains.

Mr. Dillon asked whether the Government of India had any thoughts on the desirability of expanding the IMF. Mr. Desai replied that India was, of course, in favor of strengthening this international institution, particularly if it resulted in the possibility of additional aid to India. On the other hand, he recognized that India would have to contribute a larger quota and this would present a serious problem. Mr. Coughran inquired whether Indian officials had expressed any opinion on the proposal for the establishment of an International Development Association. Mr. Desai replied that India would welcome any additional international facilities which could assist in its development program.

With regard to India's planning philosophy, Mr. Desai emphasized that, though India was sometimes criticized for making over-ambitious plans, he did not think a plan which called for raising the annual per capita income from \$58 to \$65 yearly could be termed overambitious. On the other hand, the political opposition in India, particularly the Communists, were quick to seize upon any slow down in economic development in order to discredit the present government.

Mr. Desai then said that he felt the Communist threat in India was overemphasized in the United States. Addressing his remarks to the problem in Kerala, Mr. Desai stated that the people in Kerala were not basically Communist. According to him, the success of the Communist Government in Kerala was attributable to two factors: namely that on the whole, the people were better educated and therefore had high expectations which could not be fulfilled; also the Congress Party had become disorganized by internal squabbles and the well-organized Communist Party had taken advantage of this. Now, however, he felt the tide was turning. There is a growing disillusionment in Kerala with the Communist Government since many of the intellectuals have found that their individual liberties are being threatened. Mr. Desai

expressed the opinion that the Communist Government will be defeated in Kerala in the next elections. He added that the Kerala experience was the most fortunate thing that could have happened to India because it pointed up the Communist threat and other Indian states would not be likely to follow Kerala's example.

Mr. Dillon referred to the PL 480 program saying that although we had intended to have a program ready for negotiation during Mr. Desai's visit, certain delays had become necessary because of problems of internal administration, but that it was our hope that a program would be ready for negotiation in the near future. Mr. Desai accepted this philosophically, merely referring to the need for expediting shipments so that there would be no interruption in the flow of food grains to India.

Referring to the present DLF negotiations for utilization of the new \$75 million credit, Mr. Nehru said that a problem had arisen in India because of lack of imported steel. Some mills had been closed in Calcutta with resulting labor trouble which was, of course, being exploited by the strong Communist elements in the Calcutta labor unions.

In regard to the long-term plans of the Government of India, Mr. Nehru mentioned that it was essential for India to have some assurances as early as possible on amounts of additional aid which might be forthcoming. This was particularly important in connection with the need for announcing a new import policy next January, since the level of imports would have to be adjusted realistically to anticipated resources. Mr. Dillon replied that it was, of course, not possible to make any commitments at this time. He went on to explain, however, that Congress had expressed a sympathetic interest in additional funds for DLF and that it was the intention of the Administration to request such funds when Congress convened in January. Mr. Nehru said that the problem of DLF picking up prior commitments would arise again since India would have to go ahead in the very near future in placing new orders and by the time additional DLF funds became available, the new orders would again constitute prior commitments. Mr. Dillon recognized that this presented a problem, but felt that it would not be insuperable provided the usual conditions of bidding, etc., were complied with.

The group then discussed, in general terms, India's Third Five Year Plan with both Mr. Desai and Mr. Nehru making the point that realistic planning for the Third Five Year Plan had to be geared to the goals attained under the Second Five Year Plan.

Mr. Desai stated that he had the impression there was some misunderstanding about India's defense expenditures. India did not wish to expand its armed forces and was in favor of maintaining the status quo. For a number of years, India had done nothing to modern-

ize its armed forces, but growing armaments in Pakistan and the constant talk of *Jehad* by Pakistani leaders, forced India to modernize its armed strength. He gave, as an example, Chaudri Mohammed Ali's² war-like statements, expressing dismay and surprise that such a level headed and old time civil servant would indulge in such provocative propaganda. Mr. Dillon said that it was our impression that India's armed forces were larger and much more powerful than those of Pakistan. Mr. Desai replied categorically that such was not the case. He went on to discuss at some length India's difficulties with Pakistan, stressing that the Pakistan Government was unstable and unreliable, that it had kept none of its agreements with India, and that even in such matters as the post-partition financial settlement, India had fulfilled all its obligations, whereas Pakistan had refused to abide by its part of the bargain. He mentioned specifically that at the time of partition following Pakistan's invasion of Kashmir, India had paid to Pakistan 55 crores of rupees, although it was obvious that Pakistan would use these funds to finance the Kashmir war. India had done this only because Gandhi had fasted and insisted that India fulfill its promise regardless of what Pakistan did.

Mr. Desai then briefly discussed the canal waters and Kashmir questions. With regard to canal waters, Mr. Desai said that India was anxious to solve this problem with its neighbor, but that Pakistan's demands were outrageous. Each time India made a reasonable offer, Pakistan used this as a "spring board" for increasing its demands. Even the latest Pakistan proposals to the IBRD made in London last month would require India to pay a total of 380 crores of rupees which India considered to be far in excess of what was realistically needed by Pakistan to make up its water requirements. On the Kashmir question, Mr. Desai said that the conviction had grown in India that the Pakistani leaders did not wish to solve this problem, because they could use it as a political rallying point. Moreover, India had grave fears that if the Pakistanis were given Kashmir, the Punjabis would displace the Kashmiris and the latter would have no recourse but to turn Communist. Such a large group of Communists with access to assistance from China and the USSR would represent a security threat to India.

Mr. Dillon stated that he recognized that the solution of Indo-Pakistan differences presented many difficulties, but that it was our sincere hope that these differences could be resolved by negotiation so that both countries could dedicate their energies and resources to the economic development which they both need so badly.

² Former Prime Minister of Pakistan.

220. Editorial Note

On September 26, the United States and India concluded a new agreement under Title I of P.L. 480. Under the terms of the agreement, the United States was to sell approximately \$238.8 million worth of wheat, corn, and grain sorghums to India. The agreement also provided that the Indian rupees accruing under the agreement would be used for loans to the Indian Government for the financing of economic development projects, certain grants, and meeting U.S. expenditures in India. For text of the agreement, signed in Washington by Acting Secretary Herter and Indian Chargé Dayal, see 10 UST (pt. 2) 1877; for text of the Department of State press release announcing the agreement, see Department of State *Bulletin*, October 13, 1958, page 591. Documentation on the negotiation of the agreement is in Department of State, Central File 411.9141.

221. Memorandum of a Meeting, Indian Ministry of Finance, New Delhi, October 9, 1958¹

PARTICIPANTS

United States

Ambassador Bunker
 Secretary of the Treasury Anderson
 Under Secretary of State Dillon
 President Waugh—Export-Import Bank
 Ambassador McIntosh
 Director, OIF, Treasury—Mr. G. H. Willis
 ICA—Mr. J. Bell
 Special Assistant to Secretary of the Treasury—Mr. Lennartson
 Special Assistant to Under Secretary Dillon—Mr. Leddy
 Minister—Winthrop G. Brown
 Director of TCM—Mr. H. E. Houston
 Counselor for Economic Affairs—Mr. J. Robert Fluker

Government of India

Finance Minister Desai
 Planning Minister Nanda
 Deputy Chairman, Planning Commission—Sir V. T. Krishnamachari
 Additional Secretary Planning Commission—Mr. Tarlok Singh

¹ Source: Department of State, Central Files, 891.00/12-1158. Confidential. Transmitted to the Department of State as an enclosure to despatch 605, December 11. The U.S. delegation was in New Delhi for the annual joint meeting of the IBRD and the IMF, held October 6-10. This meeting took place in Finance Minister Desai's office.

Governor of Reserve Bank of India—Mr. H. V. R. Iyengar
Reserve Bank of India—Mr. Madan
Commerce and Industry Secretary Ranganathan
Special Commerce Secretary—Mr. L. K. Jha
Finance Secretary—Mr. A. K. Roy
Finance Additional Secretary—Mr. S. Jaganathan
Advisor to the Planning Commission and Finance Ministry—Dr. Anjaria

Secretary Anderson opened the meeting with a reference to the complementary benefits of this Bank and Fund Meeting, and the visit to India which has given him and his colleagues an opportunity for brief first-hand observations of India. Mr. Anderson thanked Mr. Desai for the meeting with him today and observed that it would be extremely helpful to him and his colleagues to have India's own thinking on economic development and India's problems in general.

The Secretary observed that the American people were very much interested in aid programs, particularly aid to India. He noted, however, that since the war, costs in general had risen and that the U.S. taxpayer was becoming more critical in terms of his desire to understand the results of our aid programs. The Secretary commented briefly on the fact that American taxpayers also noted that there were underdeveloped regions in the United States which also needed more dams and the like.

The Secretary stressed American reliance upon private initiative and illustrated his point with the fact that the capital of his own state had been built by private British interests in return for about one million acres of land. He noted that some of this land was still held by private British owners.

Finance Minister Desai said that conditions in the United States and India were different except for the common basic elements of democracy. He cited the area of the United States as 2½ times that of India, with a population one-half of India's. He observed that the United States had begun development as a young country whereas India had begun its true democratic development as an old and poverty stricken country. He said that as much as a million acres were not available in India to pay for specific construction. [*sic*] In evidence of the low standard of living Mr. Desai said that India had a literacy rate of about 10 percent.

Mr. Desai went on to say that while in India full fledged democracy had sprung from this background it still left a poor base for the economic development which was essential to India's future. He said that India must build a prosperity—from this base of poverty—a prosperity which could not of course equal that of the United States. He believed that India's economic progress must aim for prosperity in the

sense of giving employment to everyone, with enough to eat and an opportunity for basic education. At the same time India must increase its income so as to get more savings and investment.

Mr. Desai cited the division of India between India and Pakistan as a great initial difficulty for independent India, in creating certain grave economic imbalances. He cited dislocation of agricultural production (and particularly cotton) as a case in point.

Mr. Desai said that food was the basic need in India—that India was, and will be for some time to come, an agricultural country. He noted that the First Plan put emphasis on agriculture but that it had also been necessary to invest in Industry in the First Plan. At this point Mr. Desai referred to the problem of semantics in the development of even better understanding between our two countries. He observed that in the United States "free enterprise" was the applicable term but that the government controlled a larger percent of industrial production in the United States than did the government in India.

In response to Secretary Anderson's statement that talk of state ownership in India raised serious problems in the minds of potential American investors, Mr. Desai said that India's prime problem was that of helping people and that in some cases this meant that the state must enter an industry. He emphasized, however, that India would not nationalize established firms in any industry. He said that India needed all of its capital for new development rather than using it to compensate for nationalization of established firms. He observed that private enterprise seemed to have done well in India in that in the last ten years the value of private enterprise in India had quadrupled while foreign capital in India had doubled.

With regard to the Second Plan Mr. Desai said that certain heavy industrialization was and is a necessity; he stated that the Indian economy would fall further behind if for example certain heavy machinery plants were not developed in India. He said that much of this heavy industry was needed to achieve an increase in agricultural production and improved distribution.

Mr. Desai said that India's Plan had been termed very ambitious. He felt that this was not a correct evaluation at the time of the drawing up of the Plan although it might be so termed now, in retrospect. He noted that the deficits originally anticipated in the Plan had generally been met. He said that it was the unforeseen added deficits that had caused the great difficulty in the Second Plan. Mr. Desai cited the drought which had last year subtracted 6.7 million tons from the total foodgrain harvest, after food production had increased by some 16 million tons since the beginning of the First Plan. He also referred to the recent recession in the United States and its effect upon India's export earnings in terms of trade, as another cause of unforeseen deficits.

Mr. Desai observed that much of the difficulty under the reduced Plan had been alleviated by help from India's friends; he noted that most of the help of course, came from the U.S.

Mr. Desai then turned briefly to the matter of the latest reappraisal of the Plan, noting that India's problem was one of adjusting to resources. He said that India's original public sector Plan expenditure of Rs. 48 billion had through increased costs risen to Rs. 54 billion and that the latest reappraisal had lowered the Plan expenditure to Rs. 45 billion. He stated that India's total public and private Plan expenditure of about Rs. 60 billion had to meet a heavy burden in India's population increase which he cited at approximately 1.25 percent per year. In what was obviously a lapse in his thinking, he observed that 2 percent of India's national income must be drawn from the increment resulting from economic development in order to take care of the increased population.

With regard to the Third Plan Mr. Desai said that India was now taking stock to see what it could do. He said that the basic problem was one of estimating India's own resources and the possibilities of help from abroad. He said that such help should not be taken lightly by India; that India could not take loans and then say later that it could not repay them. He felt that this was a vital consideration in working on the Third Five Year Plan. After reviewing again the emphasis on agriculture in the First and Second Plans, Mr. Desai said the Third Plan must also stress agriculture—but that there must also be, within the limitations of available resources, concentration on necessary industry. Mr. Desai said that although the Third Five Year Plan is now being studied, the primary problem, of course, is completion of the Second Plan.

Sir V. T. Krishnamachari gave a brief summary of national income and investment goals. He said that India's annual investment before the First Five Year Plan was about five percent of national income, which had risen to almost 8 percent by the beginning of the Second Plan, and should (he hoped) rise to 11 percent by the end of the Second Plan. In response to Secretary Anderson's query about the annual accumulation of savings outside of taxes, Dr. Anjaria and others referred to various broad measures of such savings. Dr. Anjaria at one point noted that public savings amounted to about three-quarters of one percent of national income and that annual total savings were approximately 8 percent—leaving private savings therefore at about 7 percent of national income. The 8 percent annual savings figure was derived roughly from the fact that total investment in India was running about 10 percent of national income, while about 2 percent was financed by external assistance or savings from abroad.

The Secretary asked where a firm would go for credit or other financial assistance in attempting to start a business in India. Mr. B. K. Nehru replied that businessmen would go to (1) commercial banks, (2) loan institutions such as the Industrial Finance Corporation (a government-sponsored institution), (3) the private Industrial Credit and Investment Corporation of India, and the new, mixed institution known as the Refinance Corporation. He also observed that they could go to the market with bonds or stocks.

In response to the Secretary's questions about the assets of private banks as compared with the State Bank, Mr. Iyengar stated that the State Bank's deposits were about 25 percent of total bank deposits in India. He observed that the State Bank deposits included PL 480 receipts held in the U.S. Treasury account.

Secretary Anderson referred again to the problem of semantics and the fact that India suffers because potential investors in the United States have some doubts about India as a safe place of investment and India's welcome of foreign private capital. He noted that India's wealth tax was widely misunderstood in the United States. He said that capital must be given a feeling of welcome, that investors must make a profit and that potential investors must be led to anticipate cooperation between private capital and government.

Mr. Desai referred to the political problem of great stress on private capital and noted the similarities of India's problem with those of Canada where political campaigns may be waged on such topics as "Wall Street domination".

Mr. Anderson noted his concern over the amount of unproductive military expenditure, which in gross terms he said amounted to almost 85 cents out of every dollar being spent by the United States [Indian?] Government.

Under Secretary Dillon referred to Mr. Desai's earlier statement concerning the different meanings of words to different people. He said that in the United States the average man sees India as more socialistic than is actually the case. He noted that he and other United States Government officials understood the true situation because Mr. Desai and others had placed the facts before him. He noted, however, that private capital must come to a better understanding of government policies if India is to get the full support of private capital. He noted that the United States Government could help improve this understanding but that the Indian Government must also attempt to spread understanding more broadly.

The Under Secretary referred to Mr. Desai's statement at the Bank-Fund Meeting, that private capital tends to go to the countries which are already making more progress. Mr. Dillon said that he believed India was in the category of countries making progress, that it is making progress particularly in the infrastructure needed for further

rapid progress. He said private capital must be made welcome (and he noted that firms have been welcomed inasmuch as foreign private capital in India had doubled according to Mr. Desai), but people must understand India's tax and other incentives. He also observed that potential foreign investors must feel free to talk frankly with a minimum of misunderstanding attributable to the problem of semantics.

Secretary Anderson commented on India's great opportunity to educate a large group of prominent bankers who were attending the Bank–Fund Meeting at Delhi. He noted the concern of potential investors in understanding the government's attitude on such matters as government competition with private enterprise.

Mr. Desai explained that the government has gone into some industries in competition with private industry but that this competition was healthy in his opinion. He said that government enterprises were required to operate as private firms and to show business profit. He stressed the fact that government-owned firms pay the same taxes as private firms. Mr. Dillon noted that this was a favorable point which should be made clear to potential investors.

Mr. Waugh observed that the tax situation in India is far better than most people realize. He observed, however, that the tax structure was complex. He said that a simplification of India's tax structure on business would make it much easier to explain to, and better to attract, foreign private capital. Mr. Waugh said that all present at this Bank–Fund Meeting had been impressed with the ability of the World Bank to take care of the public sector needs in India. Mr. Waugh made a plea for some emphasis on private business and said that if there were such emphasis the Export-Import Bank would be able to help. He noted that the Export-Import Bank did not require a government guarantee.

Mr. Desai and Mr. Nehru referred to Export-Import Bank policy of purchase in the United States and high costs in the United States. Mr. Waugh noted that prices might be higher in many cases but that the quality was there as well as the ability to replace worn parts and the ability to deliver rapidly. Mr. Waugh said that of course private Indian capital should not be forced to go to the United States; he said that U.S. suppliers must be competitive and carry their own initiative in this respect.

Mr. Dillon referred to the IBRD report and its table on place of expenditure under IBRD loans. He noted that 38 percent was spent in the United States last year, while the next highest country of expenditure was only 18 percent. Mr. Dillon felt that this indicated that U.S. prices were competitive.

Secretary Anderson noted that all the discussion this afternoon was not critical; rather it was the belief on our part that growth and industrialization must come from men who are willing to invest—with Indian collaboration of course.

Mr. Dillon referred to Mr. Sudhir Ghosh's talks in the United States which had apparently given the impression that India would seek assistance from the Soviet Union for a fourth steel plant if United States private or government assistance were not forthcoming. Mr. Dillon noted that he had been concerned about this statement because it seemed to contradict the statement made by Mr. Desai in his talks with Mr. Dillon a few days earlier. Mr. Desai said that too often there was a tendency to get different statements from different people and that he would look into the matter of Mr. Ghosh's statement. He went on to say that India did not contemplate any additional steel plant in this Second Plan. Mr. Dillon said that at such time in the future as India was ready the U.S. would of course be willing to talk with Indian officials about possible assistance in the fourth steel mill. Mr. Dillon went on to stress the fact that a fourth steel mill might well be constructed with foreign private capital, know-how and assistance.

With some further reference to the fourth steel mill, Mr. Desai observed that the Third Plan could not help but be short of foreign exchange. He said, however, that after further consideration of resources, India would come up with certain schemes and at that time would have a firmer view of the contents of the Third Plan.

Sir V. T. Krishnamachari noted that India would first draw up a schedule of repayments of loans for economic development. Mr. Desai added somewhat seriously that India was more concerned about its credit than its progress.

The meeting concluded with an exchange of good wishes and expressions of thanks by Secretary Anderson and Under Secretary Dillon.

222. Letter From President Eisenhower to Prime Minister Nehru¹

Washington, November 27, 1958.

DEAR PRIME MINISTER: Paul Hoffman, who has just returned to this country, gave me an account of the interesting conversation he recently had with you.² He was profoundly impressed by your clear dedication to the cause of a just and lasting peace.

Universally you are recognized as one of the most powerful influences for peace and conciliation in the world. I believe that because you are a world leader for peace in your individual capacity, as well as a representative of the largest of the neutral nations, your influence is particularly valuable in stemming the global drift toward cynicism, mutual suspicion, materialistic opportunism and, finally, disaster.

For my part, I shall without ceasing continue the attempt to convince the world, including the Soviets and Red China, of our non-aggressive, peaceful intent. I ask nothing more from them than the right, which I am equally ready to accord to them, for each side to satisfy itself that the other is sincere in its peaceful protestations.

A case in point is the seeming impasse that has been encountered in the progress of negotiations at Geneva on the techniques of preventing surprise attack and developing an acceptable plan for the cessation of nuclear tests. These negotiations, I feel, must not break down.

Quite naturally we, on our side, believe we have been eminently reasonable and conciliatory in our attitude. But our conviction in this regard does not necessarily mean that our people's sincerity, so obvious here, is accepted by all peoples elsewhere.

This note is inspired not only by Mr. Hoffman's recent report to me of his visit with you, but by my lively recollection of the friendly and, to me, profitable conversations that we had in 1956,³ as well as by the profound feeling I have that there is no greater task lying before any political leader today than that of helping to relieve the tensions that plague mankind.

¹ Source: Department of State, Presidential Correspondence: Lot 66 D 204. Confidential.

² Paul G. Hoffman, former head of the Economic Cooperation Administration, visited India in November to discuss the cause of world peace and disarmament with Nehru and Indian officials. Bunker transmitted memoranda regarding Hoffman's conversations with Indian representatives to Bartlett on December 9 under cover of a brief letter. (*Ibid.*, SOA Files: Lot 62 D 43, India—1958)

³ Nehru visited Washington, December 16–20, 1956; see *Foreign Relations, 1955–1957*, vol. VIII, pp. 319 ff.

With assurances of my deep respect and continued warm regard.
Sincerely,

Dwight D. Eisenhower⁴

⁴ Printed from a copy that bears this stamped signature.

**223. Letter From the Ambassador in India (Bunker) to the
Director of the Office of South Asian Affairs (Bartlett)¹**

New Delhi, December 9, 1958.

DEAR FRED: Though I have written you a good many times since, I find that I have never acknowledged your fine letter of September 11th,² written while you were on vacation. It came while I was also on holiday in Kashmir and somehow it got to the bottom of the pile.

This is just to say that you were very good to go to all the trouble of writing me when you ought to have been enjoying a holiday. It was more than good of you and Irene to break into your holiday to go back to Biju Nehru's dinner in honor of Desai. He mentioned it to me on his return and was most appreciative. I am, of course, gratified that, as you say, Washington has somehow come to believe that as a matter of cold fact it is not in the United States' interest to see India's economy collapse notwithstanding divergencies in foreign policy and other irritants which from time to time are apparently bound to develop. This seems to me a mature judgment, one befitting a country of the power and influence of the United States and based fundamentally on our own self-interest. More and more I am coming to feel—and I hope that I am being objective about this—that India is the key to the direction things will take in this part of the world. Today we find it the only large country in Asia being governed by democratic principles. I think there is also good evidence to the effect that over the past year Mr. Nehru and the GOI have been taking an increasingly harder line toward Communism, both domestic and international. This does not mean, of course, that Nehru will give up the idea that he has to maintain some balance between East and West or that he will change his views about the fundamental historic and traditional basis of Indian foreign policy. Perhaps, in view of recent developments, i.e., the

¹ Source: Department of State, SOA Files: Lot 62 D 43, India—Economic. Personal and Confidential.

² Not found.

initiatives of Paul Hoffman and the President, it is in our interest to have Mr. Nehru maintain this position, at least publicly so that he may use his good offices to bring about some relaxation of tensions when he believes he can be effective.

I have already reported on my talk with Mr. Nehru when I gave him the President's message, which I thought was splendid.³ I am sure that it made an impression, and I am confident that the fact that he has been taken into the President's confidence and has shared his thoughts on a number of occasions has not only pleased him but has had an increasingly favorable effect on his attitude toward the U.S. I believe it is very important that we continue the process.

[Here follows a brief personal reference concerning the possibility of a visit to India by Bartlett.]

All the best always.

Sincerely yours,

Ellsworth

³ *Supra*.

224. Telegram From the Embassy in India to the Department of State¹

New Delhi, January 8, 1959—6 p.m.

1538. Country Team Message. Purpose of this message is to stress Country Team's conviction it has now become imperative that US consciously devote sufficient portion of money and effort involved in our aid program to execution of a series of projects which, in addition to their economic merits, will have substantial impact on Indian public. (See Embtel 473 of August 26, 1958.)²

Economic soundness of given development project must continue be basic factor determining eligibility for US aid. Beyond this, however, it necessary that end result this aid be such as make Indian people conscious of magnitude US assistance, both absolutely and in relation Soviet effort, and identify its purpose with Indian interests.

Soviet offensive in India well designed achieve maximum psychological impact. (See Ambassador Bunker's letter to George Allen, No-

¹ Source: Department of State, Central Files, 791.5-MSP/1-859. Confidential. Repeated to Bombay, Calcutta, Madras, London, Paris, Bonn, and Karachi.

² Document 215.

vember 26, 1958;³ also joint Embassy/USIS despatch 1373, May 12, 1958.)⁴ As one part our program to counter this offensive, Country Team made recommendations for USIS use PL 480 rupees to further US psychological effort India. (Joint Embassy/USIS/TCM despatch 673, December 15, 1958.)⁵ The basic element of such program, however, is economic aid program which itself offers best single avenue furthering US interests in India.

It obvious our economic aid programs as conducted to date have made favorable impact on important segments Indian society, particularly on small to fair section press, on top GOI officials, especially MEA, Finance, Commerce and Industry Ministries, some influential members Parliament. There no doubt also they have been effective in furthering our objective make possible steady progress in India's economic development under democratic institutions. But Soviet economic-psychological offensives keeping up in intensity and effectiveness. It essential therefore our programs should have flexibility needed meet this growing challenge and that their impact must reach and affect much wider area public opinion.

Inherent in our present program, however, are two factors which tend inhibit public understanding and recognition, and reduce effectiveness of substantial effort we currently making to "get across" our program to average Indian. First is diffusion large proportion US aid through total Indian economy. Second is that in only few of aid projects does US play paramount or exclusive role essential for US identification with project. (In cases where US financing has been paramount, other criteria for treatment as impact project have been lacking.)

It essential that portion our total resources be reserved for projects which, in addition being economically sound, are easily understandable impact projects. Such projects should contain following elements:

(1) US should be readily, fully and publicly linked with project. This means most, or, if possible, all costs must be underwritten by US and US technicians made available when feasible.

(2) Project should, on completion, deliver product and/or service easily understood by general public and addressed to commonly recognized problem, or to national pride.

(3) Project should preferably have concrete and geographically specific physical entity.

³ Not found. Documentation relating to the letter, however, is in Department of State, Central File 511.91.

⁴ See footnote 7, Document 215.

⁵ In despatch 673, the Country Team recommended that P.L. 480 rupees be used for a supplementary information and exchange program in India during a 3-year period in order to counteract a "massive communist bloc propaganda campaign in India." (Department of State, Central Files, 511.91/12-1558)

Country Team believes it essential there be series such impact projects located in strategically important areas and designed accomplish political, economic and psychological goals of US. In addition to projects of national significance, some should be designed to contribute also to solution of vexing local or regional political problems important in terms over-all US objective in India. In other words these projects should not only be addressed to solution important economic problems, but should also be of such character, and so distributed geographically, as to have maximum psychological and political impact.

This obviously requires coordination of the various elements of assistance program. Local currencies, dollar resources and technical assistance must be concentrated on the selected projects.

We now ready discuss with GOI allotment PL 480 rupees to various projects. Country Team sending concurrently with this telegram request for allotment rupees 1.1 billion for obligation under loan and grant provisions of 1956 PL 480 sales agreement. (Toica 801)⁶

It our firm conviction part of these rupees must be used to further our political and psychological as well as economic objectives. This possible only if dollar resources tied to rupees and combined prior these discussions to enable us take stronger position with GOI than heretofore possible in urging impact projects be undertaken.

Country Team has selected two impact projects (detailed below) which we would like undertaken at earliest possible moment. Total cost these two projects to US would be \$17 million in foreign exchange and about \$45 million in PL 480 rupees. (If last stages dam project are ultimately undertaken with US financing, these totals would rise to \$44 million in foreign exchange and \$64 million in rupees.) We intend forward to Washington on continuing basis additional selected impact projects for financing from future rupee and/or dollar allocations; some of these currently under study. We have in mind regional and political impact projects (e.g., Calcutta land reclamation) in Bengal and other sensitive areas.

Action Requested:

- (1) Immediate allotment of rupees as requested in Toica 801.
- (2) Authority now to advise GOI (in course of negotiations here) Washington agrees in principle dollars required finance impact projects described below will be made available if GOI requests them.
- (3) That future negotiations with GOI by Washington lending agencies be conducted with recognition of necessity for impact projects. This requires coordination within Washington and between Washington and field. This, it seems, would involve prior screening by Country Team of requests for US assistance from GOI so Country

⁶ For text of the Agricultural Commodities Agreement signed at New Delhi on August 29, 1956, see 7 UST (pt. 3) 2803. Toica 801 has not been found.

Team can forward to Washington recommendations for specific combined uses of dollar, rupee, and technical resources. Washington would thus be enabled more effectively coordinate various lending agencies involved and thus combine dollar resources with PL 480 rupees reserved for such impact projects as Country Team may develop.

In summary: Country Team believes it imperative our assistance gain public association with goals and aspirations Indian people, and that to accomplish this, flow of US resources (dollars, rupees and technicians) must be so directed as to include series of impact projects.

List of projects.

(1) Sharavathy Hydroelectric Project: Situated in power-deficient portion Mysore state, near Kerala border, this possibly best power site in India in re technical feasibility and economy. Ideal in terms guidelines set forth Embassy telegram 473. Project included in second paragraph and GOI going ahead with preliminary construction though GOI apparently unclear where finance required its completion to come from. Popular interest in project intense, and our impression from talks with GOI officials is they would welcome US rupee and dollar finance. First stage (178 mega watts) to cost about \$65 million of which 14.4 is foreign exchange; by April 1, 1959, GOI expects have spent 10.3 of this, of which 1.1 is foreign exchange. First stage is expected be completed 1962-3. Total cost completed project (890 mega watts) is expected run about \$110 million, of which foreign exchange would be 41. In forthcoming talks, we would discuss allocation PL 480 rupees for unspent portion first stage rupee costs, i.e. about 41, and dollar aid for outstanding first stage foreign exchange costs (about 13.3). Whether it would best serve our purpose to finance project's final stages can best be determined at future date. Should be noted stage one is technical entity, project complete in itself and meeting all requirements for impact project as described above.

(2) UP Agricultural College: This project is attempt attack some fundamental problems in Indian agriculture through establishment at Terai State Farm in Uttar Pradesh Prototype Agricultural and Engineering College, modeled on US land grant college pattern, and combining research and extension work with teaching. Following several years study by Indian groups (and persuasion by TCM), bill establishing college passed by UP State Legislature in December 1958. Country Team believes it desirable for impact purposes that Americans (furnished under TC) be in position of influence for first five years, and Indians sent to US for study. Dollar costs proposed for programming under TC will total 1.6 million through 1965. Proper equipment of farm and university may raise foreign exchange cost of project to total of 4.1. GOI will ask for 3.8 for rupee capital costs now, with some more required in third plan. Impact this project can be increased con-

siderably by additional rupee allotments to improve construction quality. Whereas Sharavathy project proposes additional dollar resources to support rupees now available, second project proposes programming PL 480 rupees and relatively small additional foreign exchange components to support technicians and dollars already planned for programming under TC. These two initial projects therefore illustrative of approach Country Team considers imperative.⁷

Bunker

⁷ Telegram 1688 to New Delhi, January 15, thanked the Embassy for the “thoughtful and imaginative proposals Embtel 1538.” (Department of State, Central Files, 791.5–MSP/1–859) The Country Team proposed some additional impact projects in telegram 2029 from New Delhi, March 5. (*Ibid.*, 791.5–MSP/8–559)

225. Editorial Note

On March 16 and 17, the International Bank for Reconstruction and Development sponsored a meeting of the principal countries providing financial assistance to India for the purpose of reviewing India’s financial problems. During the meeting, the participants, the United States, the United Kingdom, the Federal Republic of Germany, Japan, and Canada, indicated their willingness to contribute a total of \$175 million in aid to India’s development program for the fiscal year beginning on April 1, 1959. (Telegram 2203 to New Delhi, March 17; Department of State, Central Files, 398.14/3–1759)

226. Telegram From the Department of State to the Embassy in India¹

Washington, March 17, 1959—5:48 p.m.

2202. Joint State-ICA-DLF message. Your 1538, Deptel 1688.²

A. Appreciate thoughtful attention country team has given to achieving greater Indian awareness of US assistance. We concur in need for clearer identification of US assistance in mind of the Indian public but feel that following comments may prove helpful in considering immediate possibilities. Would especially call attention to para 3 below on desirability developing identifiable projects suitable DLF financing as soon as possible.

1. Basic difficulty we foresee in undertaking impact type financing during second plan period is fact that possible dollar financing to Indians during next two years may barely cover estimates amount required for core, after taking account of possible assistance from other sources. These estimates based on projects in planned core as well as other requirements for the economy which we assume represent highest present Indian priorities. We had considered our aid program now and prospectively through FY 1960 would be geared to assistance economically sound projects within such priorities.

Country team proposal if implemented would probably mean US would finance projects not included present reduced Indian plan. If such financing would be at expense projects now included in second plan which would be case unless plan needs met by funds from other than U.S. sources, we doubt its practicality. Accordingly financing of any new project must be appraised against expressed Indian desires for dollar financing and economic value of project or activity that might have to be dropped from Indian plans because of lack of foreign exchange.

2. Further, our experience has been that India needs dollars primarily to meet payments on projects already underway. In current Indian program certain external financing requirements will be met through credits from EXIM Bank, IBRD and other countries for projects, particularly those which involve purchases from those countries. Remaining essential requirements for external financing largely

¹ Source: Department of State, Central Files, 791.5-MSP/1-859. Confidential. Drafted by Sidney Schumkler of the Economic Development Division of OFD, J. Wesley Adams of SOA, and Alfred White of ICA and approved on Dillon's behalf by his Staff Assistant, Robert C. Brewster.

² Telegram 1538 is printed as Document 224; regarding telegram 1688, see footnote 7 thereto.

determine projects which can be assisted by DLF. This restricts choice of projects considerably. You will recall that identification of specific projects against which DLF aid applicable achieved only with difficulty and after considerable staff work here in [and?] detailed discussions with Indians. In virtually no case has it been possible to insure complete financing of a major project through latest DLF loan.

3. We would urge however further effort identify feasible projects now in core which US might support order achieve objectives your proposal. Particularly important every effort be made persuade Indians work up project applications for submission to DLF which represent individual loan applications and not single application for a given level of aid to partially cover a series of projects. Suggest you work with Indians in developing such identifiable individual projects to be submitted DLF on this basis. Fully agree that any DLF assistance that may be available after completion of second plan should be on project basis. Have so informed B. K. Nehru who fully agrees. To extent Indians can finance last year of second plan from other sources, DLF financing that may be available in FY 61 could be earmarked for projects included in third plan. Selection of such projects if funding feasible in FY 61 will involve continuing and early discussions between Embassy and GOI.

4. What is your assessment of possibilities relating U.S. assistance from rupee loans under PL 480 to specific projects having impact appeal? Large volume such rupee funds will be available from latest agreement.

5. Recognize balance of payments problems have not prevented Indians from undertaking identifiable projects not in core when financing could be arranged from Soviet Bloc or other special sources. While this occasional practice may be argument for deviating from financial support for core projects, consequences such a move must be considered in full.

6. Request country team views above, particularly possibilities for developing DLF project submissions which clearly identify US assistance, possible associations PL 480 rupees with projects, and feasibility substitution certain new projects supported by US for one or more in core.

B. Other comments.

1. Re impact projects you propose: (a) Would appreciate further consideration suitability hydro power project [in] view: remoteness from population centers, lengthy construction period, lack immediate awareness by power user of source of power. If project proposal were to materialize would expect DLF to give consideration then to additional resources available and in light Indian and country team recommendations as to priority since project not now in core. In any event would be useful if country team could obtain Sharavathy "project

report" on informal basis. (b) Re UP University ICA has commented Icato A-1576.³

2. Does country team believe US identification with capital projects can be secured by providing finance alone or are US engineering and construction services necessary to secure this result?⁴

Herter

³ Not found.

⁴ The Embassy responded to this cable in telegram 2767, May 9. It reads in part as follows: "Optimum arrangement both technically and psychologically is merging of dollar and rupee financing with US engineering and construction, TC, and local participant training. Foreign assisted steel plants attest significance of technical assistance and foreign exchange combination." (Department of State, Central Files, 791.5-MSP/5-959)

**227. Memorandum of a Conversation, Department of State,
May 5, 1959¹**

SUBJECT

United States Financial Assistance to India and the Third Five Year Plan

PARTICIPANTS

Mr. Douglas Dillon, Under Secretary for Economic Affairs
 Mr. B. K. Nehru, Commissioner General for Economic Affairs, India
 Mr. Leland Barrows, ICA
 Mr. Henry W. Spielman, SOA

Mr. Nehru opened the conversation by requesting that this discussion be off-the-record. He then said that present studies of the Indian economy indicated that the country would reach the "take-off point" in eight to fifteen years from 1961. He, himself, believed that it would probably be ten years, but the Prime Minister has insisted that it be in seven years.

Mr. Nehru then shifted to a discussion of the preparation of the Third Five Year Plan on which progress to date indicates new investment of about \$20 billion, of which \$5 billion would be foreign exchange requirements beyond India's anticipated resources. At this

¹ Source: Department of State, Central Files, 791.5-MSP/5-559. Secret. Drafted by Henry W. Spielman, Officer in Charge of Economic Affairs in SOA. The source text is marked "off-the-record." Kennedy briefed Dillon for this meeting in a memorandum of May 4. (*Ibid.*, 791.5-MSP/5-459)

stage in the planning Mr. Nehru said that India needed assurances that this deficit would be met, and he was inquiring as to the possibility of a long term commitment from the United States.

Mr. Dillon assured Mr. Nehru that the United States was giving serious consideration to the long term planning requirements of underdeveloped countries and the necessity of departing from the annual approach. He mentioned that there was real possibility DLF might be put on long term basis next year. Senator Fulbright had already made such a proposal for immediate action. Additional information on the Indian program would be useful in justifying to Congress such an approach. If such a proposal were approved by Congress, Mr. Dillon said, the Government of the United States would be in a position to give India assurances of long term assistance.

Mr. Nehru then asked if legislation were approved for the DLF to provide this capitalization, could India expect to receive, during the Third Five Year Plan period, about the same proportion as from past DLF funds. Mr. Dillon said that he thought such a figure could be justified, and that if larger amounts of loan funds were available India might receive a larger proportion of the total. Mr. Nehru stated that if this would enable India to receive \$500 to \$600 million from the United States this would be adequate, along with assistance that might be obtained from other sources.

Mr. Nehru then asked about the "Herter" type study which Senator Kennedy had mentioned in a recent speech and about the State Department's views on the Kennedy-Cooper resolution.

Mr. Dillon said that Senator Kennedy was considering a resolution suggesting a Congressional study team visit the countries of Asia and Africa with a view to revising the United States foreign aid approach and, particularly, the possibility of multi-year appropriations. He then referred to the Kennedy-Cooper Resolution on India, pointing out that the State Department would prefer a resolution that did not single out a particular country, and had suggested the possible inclusion of the countries of South Asia, plus Burma, which appear to be a logical unit. Mr. Nehru did not express objections to the inclusion of the other South Asian countries.

Mr. Dillon then asked if India's Third Five Year Plan would be sufficiently well developed for a mission such as provided in the Kennedy-Cooper Resolution to study late this year. He pointed out that it would be especially useful if a report could be available to Congress by the first of April of next year. Mr. Nehru replied that he thought such a mission could be useful, and that it certainly would have an opportunity by next January to study the draft of the Indian Third Five Year Plan. Mr. Nehru also thought that such a mission

composed of private citizens similar to Mr. McCloy² would make an especially good impression on India.

² John J. McCloy, Chairman of the Board of the Chase Manhattan Bank and former High Commissioner for Germany.

228. Paper Prepared in the Embassy in India¹

New Delhi, May 12, 1959.

THE SOVIET ECONOMIC OFFENSIVE IN INDIA

Introduction

Soviet capabilities for effective economic warfare against the West in India have been evident for some time. In the past year there have been increasing indications that the Soviet Bloc is already applying some of this capability in South Asia, focusing attention on India. These indications, however, were not strong enough in themselves to permit an irrefutable statement of Soviet aims in India. Any attempt to portray Soviet activity here as part of a major economic warfare effort would have run the risk of interpretation as a panicky reaction to Soviet moves in this area.

Now, however, for the first time, facts are available from several [*less than 1 line of source text not declassified*] sources, which leave no doubt as to Soviet intentions in India, and reveal a Soviet economic warfare program of broad scope and considerable magnitude.

Summary, Conclusions and Recommendations

The Soviets have designated India as a primary target in Asia. They have embarked upon a major campaign to capture it. The brunt of this campaign takes the form of a substantial and well-coordinated economic cold war effort. This effort is imaginative, subtle and effective. Under present conditions, it has a high likelihood of success.

¹ Source: Department of State, Central Files, 861.0091/5-1259. Secret. Transmitted to the Department of State as an enclosure to despatch 1322, May 12, which describes this paper as throwing "new light" on the Soviet offensive and revealing "new facets of that offensive which the Embassy believes require immediate attention by the United States." Copies of despatch 1322 and the enclosure were sent to Moscow, London, Karachi, Bombay, Madras, and Calcutta.

There is a good chance that it can be kept from achieving its purpose, however, provided the West, and particularly the United States, expands present economic programs to face squarely the changing realities of contemporary India. The success of such an expanded offensive would rest on the basic pro-democratic and pro-Western leanings of the Indian Government and people, including elite groups and the important private sector in the Indian mixed economy. But it will also require a rapid implementation of a new program while the forces on the side of the West are still strong.

The ultimate goal of Soviet policy in India is still the accession to power of a government strongly influenced or controlled by the Soviets. The new Soviet economic offensive is aimed at gaining the maximum influence for the Soviets over the development of India's economy and the direction of its policies.

The Soviet economic offensive takes three main lines, all of which capitalize on some of India's most pressing needs. These lines are:

- (a) project aid programs of large magnitude to influence and impress the Indian people and Government,
- (b) trade programs which will be significant economically as well as psychologically, and which will wherever possible create situations of Indian dependence upon the Soviet Union,
- (c) technical assistance programs calculated to win the sympathies of a maximum number of Indian officials, scientists, engineers and students and the Indian intelligentsia in general—while making for more effective aid and trade programs.

Project Aid

In the field of aid the Soviets are prepared to go far beyond anything they have provided thus far. They will give India "anything it asks for" for development under the third Five Year Plan. Estimates of such Soviet aid are between 650 million and one billion dollars.

This reflects a major change in our estimate of Soviet policy. Hitherto we have assumed, though without specific hard evidence, that the Soviets did not wish the Indian economic development effort to succeed because of the fertile field for subversion which would accrue to them from the resultant discontent and disillusionment with the democratic process of the Indian people. Their main effort was propaganda, or to get India cheap.

However, the success of the Indian effort so far, with the support of the West, has been sufficient to force a reversal of this policy, and we now have hard evidence that present Soviet policy is to see that the economic targets of the third plan succeed—with emphasis on the public sector. (This line of action cannot have been decided upon with

much satisfaction by the Soviets, for it is costly and involves a real risk for them. If it does not succeed, India will, in large part with the Soviets' own help, be in a much stronger position to defy them.)

There are many advantages which the Soviets can derive from such a policy. Since the United States has not been prepared to finance public sector industry directly in India, and since a maximum of funds for the public sector enterprises must come from foreign sources, the Soviets have an excellent opportunity to influence the development and growth of India's industrial base.

Immediate political advantages are even more apparent. In the light of the amount of publicity and the growing influence which the Soviets have already been able to get from their aid—\$350,000,000 in less than four years—the influence and propaganda benefit to be derived from a much more massive aid program could be very great. Much of the pro-Western swing and influence which has been developing over the past two years of extensive Western aid could be negated. The power of pro-Soviet Cabinet officials would increase considerably, as would the number of GOI officials disposed toward the Soviets. With the CPI already identified in the public mind as an affiliate of the Soviet Bloc, the prestige and palatability of the CPI might be expected to rise appreciably.

The present Indian government probably would not accept eagerly an overwhelming Soviet program, since it would fear the very developments cited above. The GOI is mindful of the capricious treatment to which such countries as Yugoslavia and Finland have exposed themselves by embracing the Soviet economy too closely. To the degree, however, that India becomes dependent on the Soviet Bloc for developmental imports, and to the extent that it has nowhere else to turn for funds for certain public sector industrial development, India's ability to resist the Soviet offers will be lessened.

Trade

The objective of the Soviet trade offensive in India is, in their own words, to "inextricably involve" the Indian economy with that of the Soviet Bloc, and thus to enable the Soviets to exercise an increasing influence over India's economic and political development.

To achieve this end, the Soviets plan first in 1959 to double the 1957 level of India-Bloc trade and then, building on this base, to increase their trade further over the next three to four years to the point where it will comprise 20 percent of India's total foreign trade. The Soviets will strive for a dominant position in the purchase and supply of certain commodities important to India's trade. They will also use trade to assist the economy and Communist Party of Kerala, India's only Communist state. They will take whatever economic losses may be required to accomplish these ends.

The Soviet trade objective for 1959 will be met with the help of the trade agreements (with secret commodity lists appended) signed by India with East Germany, Poland and the USSR in late 1958 and overt agreements signed with Czechoslovakia and North Korea in early 1959. The Soviets will endeavor to accomplish their goal for the succeeding years by offering India the best possible terms. They will supply the goods India wants most, at the lowest prices. They will take payment in non-convertible rupees. In view of India's increasing need for developmental imports and its relative inability to pay for such imports, such offers will be difficult to resist.

Technical Assistance

The classic example of the utility which the Soviet dominated Bloc can gain from technical assistance is that of their aid to the petroleum industry in India. Aid so far committed for this purpose has been about \$41 million. This aid has gone into technical assistance (exploration, drilling and training of petroleum engineers) and aid in construction of refineries. Nevertheless, after only three years, the Soviet Bloc has an effective influence over the development of the petroleum industry in India (one of the Bloc's first objectives is to drive out the Western oil companies or to irritate them into pulling out of India in disgust) as well as an influence over the political sympathies of the men who direct and develop this industry.

It can be expected that the Soviet technical assistance program in India over the next several years will build on this pattern. The Soviets have already offered to train in the Soviet Union all the steel workers and engineers which India wants to send. Other Bloc countries have made similar offers for workers from other Indian industries.

The Bloc plans to send to India in increasing numbers some of its best technicians and advisers to work closely and informally with certain officials in the Planning Commission (e.g., Pitamber Pant) as well as the various ministries of the GOI and quasi-governmental organizations such as the Indian Statistical Institute in Calcutta. This action is designed to influence the plans and policy direction of these bodies, thus making the Soviet trade and aid programs more effective. In the atmosphere of good-will engendered for the Soviets by their massive trade and aid programs, such efforts will succeed if the U.S. and the West do not move to counter them.

Correlation With Other Soviet Activities

The three principal approaches which the new Soviet economic offensive will take in India, will, of course, be closely integrated with Soviet diplomatic and propaganda activities. The entire offensive will

support and be supported by a mounting massive propaganda effort both through the CPI and its own satellite organizations and directly from the Bloc.

Soviet diplomatic moves will continue to be calculated with their impact on countries like India firmly in mind. Indeed, all aspects of Soviet action are intimately interrelated. There is more than a speculative possibility that Soviet activity in the neutral crescent around India—Afghanistan through Nepal to Ceylon—is calculated to a considerable extent in terms of its effect on India.

One of the imponderables which must be borne in mind in an assessment of the prospects of Soviet success in its economic offensive is the attitude of Peking. To date the Chinese Communists have interposed no great objection to Soviet economic penetration in India. But in a few years' time, if Chinese economic capabilities permit, it is possible that rivalry will arise between the two communist powers. On the other hand, it is also possible that Peking and Moscow will reach a *modus vivendi* and that Chinese power will be used to support the Soviets in their offensive in India. The point is raised at this time chiefly to maintain the proper perspective. At the present time the Chinese are working with the Soviets.

The Challenge to the West

The Soviets have thus engaged the West in a chess game on a very large scale. If we are to win this contest, we shall have to expand our offensive immediately so as to play the game with an intensity and an imagination which we have not achieved heretofore.

In expanding our own economic effort in India, many forces of strength are on our side. The Soviet awareness of those strengths and the realization that their continuance and growth meant India's "irreparable" union with the West, have required the Soviets to act boldly. The unacceptable alternative was for the Soviets to abandon India and deny its vital importance to Communist aims in Asia.

The very forces in Indian political and economic life which the Soviets are preparing to exploit can be used to our advantage if we can cater to their needs. Indian society as a whole has basic antagonisms toward the authoritarian character of Communism. The GOI itself is pledged to the democratic development of India and has a strong predisposition toward the West, not lessened by India's appreciation of ostentatious Soviet support of Indian views on colonialism and Kashmir.

The private portion of the Indian economy, which is still the largest sector of the economy, tends to identify itself with the Western centers of private competitive enterprise. The military in India would be loath to accept too sharp a swing to the left in the GOI and would exert its considerable influence in the councils of Government in favor

of any reasonable alternative which we could provide to Indian economic coalescence with the Soviets. Large sections of the intelligentsia—writers, professors, scientists, technicians—either have an admiration for Western philosophy and technology or, at least, believe firmly in the principle that India must learn from and work with both sides and not just one: the concept of dynamic neutralism.

Despite the fact that communist strength is increasing in the labor movement in India, there are many Indian trade union leaders and organizers who feel strongly that the type of free labor movement developed in the West is best suited to the needs of a democratic India.

All of these natural predilections have been heightened during the past two years by the growing evidence that the West, in its own programs of aid to India, comes as a friend and not as an exploiter.

These friendly forces, however, have to face the changing realities of Indian life. Most of them realize that economic development on the scale which is now required in India depends on governmental initiative, since private enterprise, as it is now constituted in India, is not prepared to accomplish many portions of the job which must be done. Specifically, then, in expanding our offensive, we must be willing to shed certain of our prejudices against government enterprise, recognizing that the public sector in India will grow, no matter what we do, and that the choice is only whether this new development will be strongly influenced by the Soviets, or whether we can be in a position to assure that the course of India's economic development continues in democratic channels.

Recommendations

United States policy decisions and resultant economic programs must [*less than 1 line of source text not declassified*] deny effective Soviet penetration of the Indian economy, by a) enlargement of the overall U.S. aid program and b) U.S. entry into selected Indian industries and ministries. To this end U.S. programs must quickly incorporate certain specific decisions, revisions, and actions:

1. The U.S. must be prepared to advance a larger general aid program with authority to commit funds over a period of three to five years. We must minimize the cumbersome regulations which slow decision in the execution of our economic aid program.

2. The U.S. must participate in the public sector in India by aiding such projects as the fourth public sector steel plant and giving more significant help to quasi-governmental organizations such as the ISI and the National Council of Applied Economic Research, and by bringing a sufficient number of influential advisors to these organizations as well as to the Planning Commission and various ministries of the Indian Government concerned with economic development. Effective visits by well-known American experts and economists need not

await formal Indian Government invitations. The INSTEP program must be expanded.²

3. Aid to the private portion of the Indian economy must be strengthened by awakening American private investment to its responsibilities and the dangers confronting it from the Soviet economic offensive and by devising some mechanism for supplying finance and underwriting risks in a massive flow of U.S. private capital and know-how to India. The U.S. should encourage American firms to license manufacture of certain U.S. military-type equipment to India.

4. The U.S. must take steps to assist the beginnings of Indian trade expansion in Southeast and West Asia in order to exploit India's present position and ambitions, while crystallizing the inevitable trade conflicts which are found to arise between India and China.

5. The U.S. should exploit India's scientific leadership abilities and pride, particularly through concentration upon India's modest aspirations in the field of atomic energy.

6. The U.S. must increase considerably its information program, not only better to publicize our own economic aid but to exploit Soviet pressure tactics and mistakes. In this field we should also expand our use of such tactics as informal consultation with senior Indian officials in the GOI, GATT, ECAFE, and the like, and by keeping the top Indian leaders intimately informed on a confidential basis of a much wider spectrum of facts and developments in other parts of the world which are known to us but not to the public at large. We must continue our program of fairs and exhibits in India—our participation in the agricultural exhibit in India this year, for example, must be of top quality.

7. The U.S. must provide more frequent consultation between senior officials in Washington and the field, on a quarterly basis if necessary. (Soviet officials frequently fly back to Moscow for two or three days in order better to implement their policies.)

8. Since Soviet action in India is so closely interrelated with its programs throughout the world, the U.S. should consider the need for a secret Economic Strategy Board of a sufficiently high level of personnel and resources to enable it to anticipate and counter the Soviet tactics globally.³

[Here follows the body of this paper, including index and tables, totaling 49 pages.]

² Project INSTEP was a program for training Indian iron and steel technicians in the United States.

³ In a letter to Acting Secretary Dillon, May 12, Bunker called the Soviet economic program in India "a challenge which we would be wise to move quickly and effectively to meet." He suggested that Dillon take the time to read at least the summary and recommendations in the paper. Bunker also sent a copy of his letter to Bartlett on May 14. (Department of State, SOA Files: Lot 62 D 43, India Economic—1959)

229. Telegram From the Department of State to the Embassy in India¹

Washington, May 15, 1959—6:26 p.m.

2824. AEC and Department engaged careful study Embtel 252² re US-Indian nuclear power cooperation. This message summarizes preliminary actions and sets forth certain questions. It should be emphasized reactions and following information for Embassy's background. Any commitment by US to encourage nuclear power project would require extensive negotiations with Indians, further review and approval appropriate Washington agencies.

Embassy should review central elements US-Euratom joint program (refer issues 548 and 564 *Current Economic Developments* June 24, 1958 and February 3, 1959).³ Should be emphasized this program, which was intensively negotiated over six months period, required legislative action which included basic authorization and calls for annual supporting appropriations. There were special and compelling political arguments for Euratom program, particularly contribution it makes to furtherance cause European integration. It also offers opportunity US industry—and Europeans, as well—gain in experience in design operation and improvement of large scale nuclear power plants. Embassy will also note that US-Euratom program is joint, each side sharing equally in costs of associated research and development program. Of capital cost of plants, maximum 40% to be financed from

¹ Source: Department of State, Central Files, 611.9197/5–1559. Confidential. Drafted by J. Robert Schaetzel of S/AE, cleared with the AEC, and approved by Deputy Assistant Secretary of State Donald D. Kennedy of NEA. Pouched to London and Ottawa. According to a note on the source text, this telegram was approved during a meeting in Kennedy's office on May 13. A memorandum of the discussion at that meeting, drafted by William A. Chapin of S/AE, is *ibid.*, 891.1901/5–459.

² Reference is presumably to telegram 2552 from New Delhi, April 23. In that telegram, Bunker reported that Homi Jehangir Bhabha, Chairman of the Indian Atomic Energy Commission, recently visited him to discuss U.S.-Indian cooperation in the peaceful uses of atomic energy. Bhabha indicated that India was seeking cooperation with the United States in the atomic energy field along the same lines as the agreement which was signed recently between the United States and EURATOM. Bunker stated that he discussed Bhabha's proposal with his Country Team which unanimously agreed that this proposal was an outstanding example of the type of U.S.-Indian financial and technical cooperation which the Embassy had recommended in telegram 1538 (Document 224). In the Embassy's view, he added, such an agreement would be desirable for the United States because, among other reasons, it would "provide 'impact' needed by US in propaganda battle concerning US scientific capabilities in comparison Soviets" and would "put US first in field Indian nuclear power as opposed Soviet influence in rival field public sector oil development." (Department of State, Central Files, 891.1901/4–2359)

³ *Current Economic Developments* was a semimonthly classified periodical prepared by the Bureau of Economic Affairs for internal use as background and policy guidance reports. The two issues under reference are *ibid.*, *Current Economic Developments*: Lot 70 D 467.

Ex-Im Bank 4½% loan. Should be emphasized capital cost of plants will be paid by European utilities, as well as fuel inventory. Only grant-type contribution as such is contingent liability of US in connection with fuel cycle guarantees.

Purpose above reference Euratom program is to indicate (a) that most ambitious program US has in nuclear power field is not too attractive economically when viewed in Indian context and (b) not apparent that same political or economic rationale prevails for similar type program in India. Indian program could not be as strongly supported as low cost means developing nuclear technology as is case Euratom thus strong political justification would have to be demonstrated. We do not feel necessary or desirable to consider going to Congress for special program as in case Euratom and latter paragraphs outline alternative possible approach.

Such alternative approach would take advantage of existing sources of funds and certain atomic energy established programs. These possibilities include (a) use Ex-Im or DLF funds for foreign exchange costs which for plant of 150 MW (electrical) in India might run in range 75% of \$45 million foreign exchange out of anticipated capital cost approximately \$60 million. (b) Local currency costs might be covered as Embtel suggests from PL 480 rupee loan. (c) Special nuclear material, for first loading and inventory, which might be roughly in range \$10 to \$15 million, could be handled as part of AEC deferred payment scheme. This repayable in dollars. Under this arrangement Indians would only have to pay 4% interest on fuel, plus full payment for material consumed, for first 10 years, balance to be paid second 10 years. Substitute or possible complementary approach with respect to financing special nuclear material would be willingness Ex-Im Bank consider financing fuel as capital item. Ex-Im has in past indicated willingness to consider this approach due special characteristics nuclear fuel. Annual fuel cost in dollars could be as high as \$5 million.

In considering foregoing, number questions immediately come to mind:

1) Not clear type reactor system Indians have in mind or how many. Are they still considering four alternatives set forth refetel? Or do they envisage joint review technical and economic merits various approaches prior to decision on which approach they would select? In short what approach does Bhabha have in mind in solving these problems?

2) Possible approach outlined paragraph above raises series of questions re relationships between AEC and Indian AEC; Indians and US private suppliers.

3) We are aware that Canadian experience with Indians on NRX reactor has not been entirely happy and they still have not completed negotiations on the basic agreement for the project. Does this experience have any special relevance to proposed approach?

4) As Embassy knows, any cooperation in nuclear power field requires bilateral power agreement which includes detailed safeguard provisions. Only alternative to US exercise these rights would be administration of safeguards by IAEA. One of first questions to be settled would be willingness Indians accept fact of power agreement and safeguard arrangement—either US or Agency administered. If not, there would appear to be little value in further negotiation.

5) Given limited funds what are particular merits this project compared with other possible impact type projects balanced against large dollar cost? This especially relevant in light of probable very large requirements for external assistance for balance second five-year plan, third five-year plan and Indus waters construction under IBRD proposal.

6) While Department can see political advantages cooperation with India as summarized reftel, not sure extent to which project financed from several loan funds would meet Embassy criterion "US package finance identification." Related question is whether GOI be prepared give ample publicity US assistance or would project primarily enhance prestige Bhabha or GOI?

7) Further question is comparative economic cost nuclear power versus conventional which would have bearing on Ex-Im and DLF reactions to any Indian nuclear project.

Next step is for Embassy comment on foregoing. While this may well require some further consultation Indians, Department and AEC feel essential that there be further review implications US-Indian nuclear cooperation prior formal reply Bhabha initiative.

As principal contact with Indian atomic energy program has been UK and Canada, we feel essential that prior any formal US exploration proposal with Indians these two countries should be informed. This suggestion made against background reiterated allegation of high British authorities that US foreign nuclear programs contain subsidy elements adverse to British interests and extensive Canadian investment time and effort in NRX project.

After further Embassy–Washington consideration above questions then necessary decide best means proceeding with Indians. AEC would prefer discussions with Bhabha in Washington. They believe could take advantage of long planned visit which he has deferred. Washington locus makes possible for AEC experts to explore key questions in informal fashion and without making it appear that Bhabha being invited Washington explicitly to discuss US-Indian program. Department on other hand sees some merit high level AEC experts discussing Indian proposals on informal basis in New Delhi as means insuring that responsible Indian authorities other than Bhabha appreciate full economic aspects nuclear program. By-product New

Delhi would be Embassy and USOM could become further informed on complicated technical and economic implications of US supported Indian nuclear power program. Appreciate advice Embassy this point.⁴

Dillon

⁴ In telegram 3035 from New Delhi, May 31, the Embassy replied to the specific points in telegram 2824, indicating its belief that talks between John Hall of AEC and Bhabha would present an "excellent opportunity advance Bhabha's and U.S. thinking on Indo-U.S. nuclear power cooperation." (*Ibid.*, Central Files, 611.9197/5-3159) Telegram 3062 to Vienna, June 2, repeated to New Delhi, informed Hall that the Atomic Energy Commission and the Department of State agreed that he should explore further the issue of U.S.-Indian nuclear power cooperation with Bhabha. (*Ibid.*, 611.9197/5-3159)

230. Editorial Note

On May 28, at the 408th meeting of the National Security Council, Allen Dulles discussed India's financial problems during his survey of significant world developments affecting U.S. security:

"Lastly, Mr. Dulles said that in view of the subsequent item on the agenda, he wished to discuss briefly the situation in India and South Asia with specific emphasis on India's financial and economic problems. He thereupon presented statistics concerning India's three Five Year Plans. He pointed out that the Indians were very fearful of falling further behind Communist China in terms of their rate of economic progress. He thereafter described the objectives of the three Five Year Plans including the third and last such Plan which was now being drafted. The last Plan was much the most ambitious of the three despite the fact that the Second Plan would probably be only about 90 percent successful. Mr. Dulles also pointed out that ambitious as was the last Five Year Plan, there was no assurance that even if it were successfully carried out that India could succeed as a democratic nation for the reason that by no means all of India's problems were economic. He added that the Intelligence Community was very much concerned about the gradual erosion of the power of the Congress Party in India." (Memorandum of discussion by Gleason; Eisenhower Library, Whitman File, NSC Records)

Following Allen Dulles' intelligence briefing, the Council discussed an OCB progress report on NSC 5701. The progress report is not printed. (Department of State, S/S-NSC Files: Lot 63 D 351, NSC 5701 Series) NSC 5701, "U.S. Policy Toward South Asia," was approved by the President on January 10, 1957, and is printed in *Foreign*

Relations, 1955–1957, volume VIII, pages 29–43. One of the issues raised in the OCB paper and discussed at length by the NSC at this meeting was India's role in Asia and the basic objectives of the United States with respect to India. For a memorandum of this discussion, see Document 2.

231. Telegram From the Embassy in India to the Department of State¹

New Delhi, May 28, 1959—4 p.m.

3000. Reference: Madras telegram to Department 165² repeated information Bombay 92, Calcutta 66. Kerala. Embassy and Consulate General Madras met Delhi May 25 discuss implications impending agitations re school closure and petition requesting President enter scene in Kerala if and when agitations accompanied by breakdown law and order.

Agitation supposedly beginning June 1 over education matters based on communalism likely be joined with agitation scheduled begin second week June when opposition political parties formulate charge-sheet as basis demanding ouster CPK from control GOK. KPCC and two other non-Communist parties Kerala, PSP and Muslim League, while unprepared associate with agitation re education matters wish capitalize such agitation and intensify opposition to CPK. Both Congress High Command and KPCC seem have now adopted greater realism and agree that CPK is dangerous to India and should be ousted from power in Kerala.

AICC met in Delhi with Kerala Congress Party May 10–13. At this conference KPCC obtained, after some argument, green light from AICC to proceed with "charge-sheet" agitation.

Unity re objective between High Command and KPCC does not mean two agreed re tactics or timetable. KPCC, being on spot, understandably maintains "throw the rascals out" attitude without too much concern for "how" or "what", although there is some indication that they are perhaps increasingly aware that their return to power will

¹ Source: Department of State, Central Files, 791.00/5–2859. Secret. Repeated to Calcutta, Bombay, and Madras.

² Telegram 165 from Madras, May 19, predicted unrest and possible violence in Kerala in June. (*Ibid.*, 791.00/5–1959)

depend on their ability retain on continuing basis cooperation other non-Communist parties and to hold out promise of constructive and positive programs.

Although Congress at center was already beginning to show signs of functioning as party distinct from GOI, and Mrs. Gandhi³ has been repeatedly and outspokenly critical of Communist regime, All-India Congress Party leadership is perhaps more conscious than KPCC that overthrow of CPK must be coupled with Congress ability to provide alternative acceptable to voters if Communist threat is to be effectively challenged and contained. High Command also acutely aware that Congress when in the opposition cannot support or condone methods which would undermine its position if practiced by opposition in states where Congress has majority. Consequently, while not foregoing any opportunity presented by impending Kerala developments, probable that Center timetable for removal of CPK is not so immediate as more impatient, agitation-minded KPCC. In fact, one body of opinion at Center wonders if Communism would not be more thoroughly discredited locally and nationally if CPK remained in office until 1962 and was constantly subjected to criticism and dramatic exposure of failures.

At present KPCC has initiative and opposition forces appear ready follow its leadership during June-July when CPK faces most serious challenge its 25 month control GOK. Impending agitations may easily lead violence that GOK unable control and leave way open GOI, if it desires, impose President's rule. Thus agitation designed become vehicle which KPCC leaders can use for ousting CPK from control. New zeal now appearing IPCC, infused with new blood, greater determination and confidence derived from tacit High Command support, suggests opposition taking longer view, and young KPCC leaders, though making determined effort to capitalize on impending agitations, will not, if they fail to achieve their objective this time, be discouraged from continuing struggle against CPK until it loses control GOK. These leaders fully aware that ultimately GOI assistance needed if CPK is to be successfully ousted summer 1959. Hence present KPCC leaders planning court action restrained enough to encourage GOI intervention. It is their belief High Command and GOI leaders will support KPCC efforts if latter prove capable of staying within bounds. There seem be some prospects that opposition forces under new KPCC leadership may succeed ousting CPK's ministry this summer.

Meeting with Simons⁴ examined US policy re Kerala in light above views and arrived following conclusions thereon: Present policy

³ Indira Gandhi, President of the Congress Party.

⁴ Thomas W. Simons, Consul General in Madras.

(based on CA-1082, August 1, 1957)⁵ requires no changes now; examination should be undertaken immediately ascertain feasible actions if and when CPK falls within coming months. Exercise concerned with possible US assistance to non-Communist GOK re supply food grains via PL 480; increased trade in such products as corn, cashew, pepper in order strengthen indigenous industries; increased participation US private investment medium-size industries such as rayon and paper, rubber manufacture, sugar and tapioca plants; and US financial assistance for “impact projects” in area.

In order place ourselves in position of readiness to act should circumstances develop favorably, Mission and ConGen Madras will work out recommended projects and actions. At that time, if opportunity presents itself, we shall explore discreetly, with selected GOI and diplomatic personnel especially from NATO countries, possibilities of effective and immediate cooperation with new non-Communist GOK to resolve some Kerala’s basic economic problems.

Brown

⁵ For text, see *Foreign Relations, 1955–1957*, vol. VIII, p. 363.

232. Editorial Note

Ambassador Bunker came to the United States in early June for approximately 2 months of home leave and consultations in Washington. A memorandum of his June 15 conversation with ICA officials is printed *infra*. On June 16, he met with George Allen, Director of USIA; a memorandum of that conversation is in Department of State, Central Files, 411.9141/6-1659. The following day, he met with members of the Policy Planning Staff and with representatives of the Atomic Energy Commission; a memorandum of the first conversation is *ibid.*, SOA Files: Lot 62 D 43, India 1959; a memorandum of the second conversation is printed as Document 234. On June 19, he met with Samuel Waugh and other officials of the Export-Import Bank and later with Deputy Under Secretary Murphy. A memorandum of the conversation with Waugh is in Department of State, Central Files, 811.0591/6-1959; a memorandum of the conversation with Murphy is printed as Document 75. On August 5, Bunker met again with Department officials and then briefed members of the OCB on developments in India; see Documents 239 and 240. The following day, he attended a meeting of the NSC; see Document 4.

**233. Memorandum of a Conversation, Department of State,
Washington, June 15, 1959¹**

SUBJECT

General Discussion on India–Nepal Political and Economic Developments

PARTICIPANTS

Ambassador Ellsworth Bunker, American Embassy, New Delhi
Mr. James W. Riddleberger, Director, ICA
Mr. Leonard J. Saccio, Deputy Director, ICA
Mr. D. A. FitzGerald, Deputy Director for Operations, ICA
Mr. Leland Barrows, Regional Director, Office of Near East and South Asia, ICA
Mr. Harold E. Schwartz, Chief, South Asia Division, ICA
Mr. Anthony Cuomo, SOA

Ambassador Bunker reviewed the most recent political developments in India commenting on the anti-Communist agitation in Kerala. He expressed doubt that this would result in the overthrow of the Communist State Government, feeling that the action was somewhat premature, though it was difficult to foresee how something of this kind, once started, would end up. The new Congress Party leader in that State seemed to be more of a practical politician. Mrs. Gandhi was also an improvement over her predecessor. In Nepal, the Ambassador said he had found the new Prime Minister, B. P. Koirala, friendly to the United States as well as to India. The King's² visit to Moscow was engineered by Foreign Secretary Nara Pratap Thapa. Apparently the King committed himself to accept Soviet aid and had so admitted when directly asked. The Ambassador then outlined the Soviet aid agreement which was to include an East-West road survey. The Ambassador said he had suggested to the Nepalese that the United States be allowed to undertake this survey. In his opinion, the Ambassador said, the Nepalese Government might still keep the Soviets out of this particular project.

Mr. Saccio asked about the timing of the announcement regarding the establishment of a Soviet Embassy and Ambassador Bunker replied that this also had been engineered by Foreign Secretary Thapa. The Prime Minister was unhappy about it and the Deputy Prime Minister, Subarna, learned about it on the train from Calcutta.

Turning back to India Mr. Saccio remarked that the United States level of aid was being set by the Development Loan Fund; the selection of projects was following rather than preceding the setting of an aid figure.

¹ Source: Department of State, Central Files, 791.00/6-1559. Secret. Drafted by Anthony Cuomo of SOA on June 29.

² Mahendra Bir Bikram Shah Dev.

After agreeing with this, Ambassador Bunker went on to describe the new Soviet economic offensive which would double or triple Soviet aid to India. That aid might aggregate from \$700 million to \$1 billion. The Ambassador said he had been asked if this Soviet aid was not, after all, assisting us in our own objectives of promoting the economic development of India. The answer, he said, was "yes", but the Soviets were looking fifteen or twenty years ahead. At that time it might be found that India would not have made sufficient progress and this would increase the country's vulnerability to its own Communist Party.

The Ambassador went on to say that the Soviet offensive was in the field of aid, trade, and training. The INSTEP program for training Indian steel technicians was brought up at this point. Mr. Bunker was informed that Mr. John Stephens, a Presidential Assistant, had promised to talk to the American Iron and Steel Institute in an effort to increase the quota of the technicians who would be brought to this country.

The Ambassador went on to say that the Soviets were carrying on an effective psychological propaganda campaign through the distribution of cheap books and magazines.

He brought up the question of project type aid pointing out the "mileage" the Soviet Union had gotten out of the Bhilai Steel Plant and the "mileage" the Canadians have obtained from their reactor. The Ambassador admitted that the Indians were sensitive to this type of aid but that this sensitivity was not an insurmountable obstacle. We could undertake such aid without fanfare. It would undoubtedly be helpful to the Congress Party to be able to point to specific projects accomplished by the United States, despite any unwillingness to talk about impact projects as such. The Ambassador mentioned Sheravathi, a hospital in New Delhi, and grain storage facilities as possibilities under this type of aid.

United States aid to the public sector was then brought up by the Ambassador who said the Indians were pragmatic in their approach to investments and that their use of the word "socialism" should not be frightening. The Ambassador said there was no reason why the United States should not build the fourth public sector steel plant. Mr. Barrows commented that certainly our aid must have benefited the private sector even though it may not have been extended directly to it. He said that as he understands it, B. K. Nehru does not want project aid. Mr. Barrows asked how India would feel about grant aid. Mr. Bunker replied that if handled properly they would probably accept. Mr. Barrows said he was not convinced India could absorb \$1 billion a year of aid. Ambassador Bunker said he did not think that all aid should necessarily be project aid, only a proportion.

The Ambassador then mentioned the question of the economic organization in the Embassy. There would undoubtedly be more aid under the Third Five Year Plan, and therefore a greater need for coordination. Two forms were suggested by Mr. Bunker: (1) an Economic Minister with two deputies, one of whom would be the TCM Director and the other the Economic Counselor; or (2) the Economic Minister to be also the TCM Director and under him a Deputy TCM Director and the Economic Counselor. The Ambassador was asked if the Agricultural Attaché would be included in this integrated organization. He replied that he believed so. Mr. Saccio said that ICA would come up with suggestions on this subject.

In conclusion Ambassador Bunker remarked that he hoped something could be done to stimulate American investments in India. We were a bit slower in this field than the British, he said.

It was agreed to postpone any discussions about Nepal until Mr. Russell Drake arrived.³

³ Russell P. Drake, Director of the U.S. Operations Mission in Nepal.

234. Memorandum of a Conversation, Department of State, Washington, June 17, 1959¹

SUBJECT

Atomic Power Plant for India

PARTICIPANTS

Ambassador Ellsworth Bunker, American Embassy, New Delhi
Mr. John Floberg, Atomic Energy Commissioner, AEC
Mr. Algie Wells, Director, Division of International Activities, AEC
Mr. John Hall, Assistant General Manager for International Activities, AEC
Mr. Philip Farley, Special Assistant to the Secretary of State for Disarmament and Atomic Energy
Mr. Robert Schaetzel, S/AE
Mr. Chadwick Johnson, S/AE
Mr. Anthony Cuomo, SOA

Mr. Hall opened the discussion about the atomic power plant for India by saying he had talked to Dr. Bhabha in Vienna. The latter was not clear as to the details of this project. Mr. Hall said, however, that in Dr. Bhabha's views concerning a one million kilowatt program he was

¹ Source: Department of State, Central Files, 891.1901/6-1759. Confidential. Drafted by Cuomo on June 29.

considering a series of points, i.e. (1) that we were more advanced than the Soviet Union, (2) that enriched uranium is an improvement over natural uranium, (3) that it would be a good thing to have a joint program with the United States but that aid would be necessary. Dr. Bhabha had told Mr. Hall he wanted a long-term loan and that he was not interested in a Euratom type program. Mr. Hall said Dr. Bhabha will be in the United States in October which indicated there was no urgency with regard to this program. Mr. Hall commented Dr. Bhabha had so indicated by saying he would talk about it at that time. Ambassador Bunker remarked that Dr. Bhabha was probably waiting for firmer thinking on the Third Five Year Plan. The Ambassador added that Dr. Bhabha probably has a commitment from Prime Minister Nehru for some development of atomic power projects but not to the extent of a million kilowatt program; there was a great deal of competition for India's limited resources. Mr. Hall said he did not gain the impression from Dr. Bhabha that he was speaking for the Government of India.

Mr. Floberg remarked that apparently Dr. Bhabha was speaking of a power program for which he needed technical help. Dr. Bhabha wants a nuclear kilowatt producer, he said, and perhaps the best way to begin a 1 million kilowatt power project is to start with a 30,000 kilowatt project. A smaller one he added might be even less economical than a big one but might be a preferable beginning. Ambassador Bunker said that because of the long distances involved in bringing coal to where it was needed in India atomic power might be more economical than in other parts of the world. The Ambassador was asked about oil in this connection and replied that India only had modest amounts. He was then asked about the priority of this type of project and replied that while it would not be the highest it would certainly be among the highest, and had very important psychological and political aspects.

To the extent other people would be involved, Mr. Schaetzel asked, what genuine support would the Government of India give this type of project. The Ambassador replied that if it did not have the full support of the Government of India it would not go ahead. He gave as an example the Bengal Reclamation Project which had not gone through because the Minister interested in it had failed to clear it with the Planning Commission. At this point Mr. Schaetzel concluded that the proposal would, therefore, not be put forward until after the Planning Commission had cleared it. Ambassador Bunker, however, said that we should continue to talk to Dr. Bhabha before such a clearance in order to be prepared to move quickly should a favorable decision be reached. The Ambassador pointed out that we are facing a massive Soviet economic offensive and that one of the advantages the Soviet Union has over us is that it can make up its mind quickly. We should,

therefore, continue exploratory talks, the Ambassador said, in an effort to offset this disadvantage. The Ambassador was then asked when might firm decisions be reached on the Five Year Plan, and replied that the magnitude and type of plan would be formulated probably by the end of this year.

Mr. Floberg remarked that Mr. Hall got the impression Dr. Bhabha was not familiar with a deferred payment plan. He said that we had India in mind when this plan was formulated. Under the Euratom program, he explained, fuel was being supplied but no payments were required for ten years. Japan, he said, stimulated this feature of this deferred payment plan. In other words there was no down payment for the fuel and no payments for many years. Ambassador Bunker said he thought this was an attractive feature.

Mr. Schaetzel then asked the Ambassador's opinion regarding the priority of this type project in relation to other demands on resources from our point of view. At this point Ambassador Bunker discussed impact projects. We were too late, he commented, to come into the Second Five Year Plan with this type of aid. The Soviets, he said, went in early with impact projects and went into the public sector. He was asked if Soviet aid was in the form of grants to which he replied they were not. They are loans at 2½%. The Ambassador then remarked that the Indians [*less than 1 line of source text not declassified*] are extremely sensitive. Because of the prestige involved, in addition to practical reasons, atomic energy means much to them and if we could be identified with them in this field there would be much to gain. The Ambassador concluded by saying there were many other important projects but that this should be high up on the list.

Mr. Schaetzel recalled that when Bulganin visited India an offer was made with regard to atomic energy.² He asked if there had been any follow-up on that score. The Ambassador replied that as far as he knew there had been none and believed the Indians did not wish to follow up. They would prefer to work with us, he added.

The question then arose as to how to proceed and the Ambassador asked if it would not be preferable for him to tell Dr. Bhabha to continue his talks here in the United States since those in New Delhi were uneducated on this highly technical subject. The talks would continue here in the United States in October, it was generally agreed, but Mr. Schaetzel suggested that since Mr. Terry Sanders³ was now in Washington he could also be "educated" for anything that might have

² Soviet Premier Nikolai Bulganin visited India in November 1955, accompanied by Nikita Khrushchev, First Secretary of the Soviet Communist Party.

³ Terry B. Sanders, Jr., Counselor for Economic Affairs at the Embassy in New Delhi.

to be done in New Delhi. The Ambassador agreed and Mr. Floberg added that the AEC would in addition try to come up with specific suggestions for the field.

235. Editorial Note

On June 25, at the 411th meeting of the National Security Council, Allen Dulles discussed developments in Kerala during his intelligence briefing:

“Agitation against the Communist Government of the Kerala State in India has continued to be quite strong. Fortunately for us, the Communist Government in that State had made a number of grave mistakes. They had put 6,300 people in prison and fourteen had been killed. Nehru had gone down to Kerala to look the situation over. He has the theoretical power to take over the State Government but he is obviously loath to do so if he can avoid the step. We do not know precisely what Nehru will do but our guess is that he will do nothing. If this guess is correct, it is very unlikely that local agitation alone will prove sufficient to oust the Communist Government. Meanwhile, these developments have posed a very grave issue for the entire Congress Party in India. The Party is split right down the middle as to whether to throw out the Kerala Communists or not.” (Memorandum of discussion by Gleason; Eisenhower Library, Whitman File, NSC Records)

At the 412th meeting of the NSC, on July 9, Dulles again discussed the Kerala situation during his intelligence briefing:

“As for the campaign against the Communist Government in Kerala State in India, Mr. Dulles said that it was gaining steadily in intensity. Meanwhile Nehru was still trying to decide whether he should throw out the Communist Government and institute presidential government from New Delhi. Nehru obviously does not wish to do this but may ultimately be forced to take the step.” (Memorandum of discussion by Gleason; *ibid.*)

236. **Letter From the President's Special Assistant (Randall) to the Under Secretary of State (Dillon)**¹

Washington, July 1, 1959.

DEAR DOUGLAS: I have been following with great interest the cables from New Delhi in which the Country Team is pressing for the establishment of a fourth steel plant in India, with capital to be provided by our Government.²

I make bold to offer the following comments:

First of all, it is beyond the realm of possibility in my opinion that any American steel company would undertake to build a plant in India at this time with private capital. That just is not in the cards, and no time should be wasted in pursuing it further.

Nor is there any possibility in the idea that the American steel industry as a collective group would build such a plant. The antitrust laws would forbid it if there were no other reasons, and there are many.

But I see two very real possibilities by which such a loan could be made and still preserve the concept of private enterprise in which we are all so much interested.

First, I propose that the plant be built by the Government of India on a loan from our Government, but on the condition that they offer it to individual American steel companies for operation under lease and on a profit-sharing basis. I think there is a good chance that the Kaiser Steel Company might take it on. They know India because of their construction work at Tata, and their management is world-minded.

I think it is also conceivable that it might be undertaken by ARMCO International, who have an existing world-wide consulting organization.

If those efforts fail, then the loan might be made on condition that the Government of India announce publicly its intention to return the plant to private industry as soon as the general condition of their economy permits. It has already been demonstrated in Great Britain that a steel plant which has been nationalized can successfully be disposed of to private interests by the Government, once it is in successful and profitable operation.

¹ Source: Department of State, Central Files, 891.331/7-159. Secret.

² In telegram 3225 from New Delhi, June 19, the Country Team stated that it believed the present stage in India's planning regarding its steel capacity offered an "excellent opportunity to US to contribute to Indian industrial development in effective way and to influence course of that development." (*Ibid.*, 891.00-Five Year/6-1959)

I have no special knowledge of the facts, but I am impressed by the arguments in the cables that India does require additional steel capacity, and I am also unhappy at the very favorable impact which has been made on Indian public opinion by the building of the Russian steel mill.

If there is anything at all that I can do to help in the consideration of this matter, I am at your service.³

Sincerely yours,

CBR

³ In a letter to Dillon, dated July 2, Frederick H. Mueller, Acting Secretary of Commerce, expressed his concern with the recommendations of the Embassy in New Delhi regarding U.S. support for a fourth Indian steel mill: "I feel sure that private industry in this country would not look with favor on financing the socialization of industry in these uncommitted nations, nor should we use taxpayers' money for this purpose. Certainly before any steps are taken in this direction, even to a very limited degree, it should have the most thorough and searching determination on the part of all interested agencies of the government." (*Ibid.*, 891.331/7–259)

Dillon responded to Randall's letter on July 29, expressing his agreement with Randall that the Kaiser idea should be fully explored. He also noted that the question of U.S. aid to public sector projects in other countries was expected to arise during an NSC meeting scheduled for August 6. (*Ibid.*, 891.33/7–2059) For a memorandum of the discussion at that meeting, see Document 4.

237. Memorandum of a Conversation, Department of State, Washington, July 10, 1959¹

SUBJECT

Meeting with the British to Exchange Information on the Sino-Soviet Bloc's Economic Activities in India

PARTICIPANTS

British

Mr. H.A.F. Rumbold, Deputy Under Secretary of State of Commonwealth Relations

Mr. Roger Jackling, Counselor, British Embassy

Mr. Geoffrey M. Wilson, Financial Attaché, British Embassy

Mr. Henry S.H. Stanley, First Secretary, British Embassy

Mr. Peers Carter, Counselor, British Embassy

American

NEA—Assistant Secretary G. Lewis Jones

NEA—Deputy Assistant Secretary Donald D. Kennedy

¹ Source: Department of State, Central Files, 861.0091/7–1059. Confidential. Drafted by Spielman on July 31.

U/CEA—Mr. Abraham Katz

DFI—Mrs. Doris Whitnack

SOA—Mr. Frederic P. Bartlett

SOA—Henry W. Spielman

Mr. Jones opened the meeting by welcoming Mr. Rumbold to Washington on this, his first visit to the United States, and thanking him for the opportunity to exchange, informally, information on the Sino-Soviet Bloc's economic and psychological activities in India, and to discuss informally our evaluations of their significance. Mr. Jones asked if the British representatives had any factual information to add to the summary paper which we had submitted to him about a month earlier.

Mr. Rumbold said that he appreciated the opportunity to study the summary statement and said he would like to make the following additional contribution from the British viewpoint.

The first Soviet objective in increasing foreign aid to non-Communist countries was to secure foreign exchange. The Soviets have been short of sterling and prefer to retain their gold holdings. They need to import, and these needs will increase concomitantly with increased industrialization. During recent years they have approached the British to buy complete factories for the production of consumer goods. The Soviets have increased their capacity to export and have rapidly become a substantial trader. Recent tin sales were an example. It would be necessary for the free world to live with the Soviets as a trader. The Soviets were also using their trading position to serve their political ends, with Egypt, Syria and Iraq as examples. It has been relatively easy for the Soviets to "mop up" small countries, and difficult to "mop up" big countries such as India. In India the Soviet political activities appeared to offer the greatest scope. However, Soviet technicians have done a straight technical job and have not engaged in propaganda. The Soviets have moved into a commanding position in the book trade. Communist trade unions in India have been the best organized and were considered to be able to "deliver the goods". [2 lines of source text not declassified] The rupees earned by the Soviets in India are used to purchase distressed products such as spices, wool, jute, and cashews.

India has been sitting on the fence economically as well as politically. When India made a deal with the Soviets Indian officials attempted to offset it by making a deal with the West. After arranging for the Soviets to build a steel mill, they turned around and arranged for the British to build one. However, the Soviets' offer of assistance has been helped by the Government of India's desire to build many industries in the public sector. The most outstanding example has been

the oil business. The Soviets have also attempted to gain propaganda advantages by providing help to projects outside the hard core; in fact, more than half of the Soviet assistance has been outside the hard core.

We should not underestimate the West's advantages. In the first place, Indian foreign trade is largely oriented toward the West. Most Indian firms are Western directed and oriented, or their staffs have been trained in Western methods of doing business. The private sector is still the strongest influence in India. Most of the foreign private capital is from the United Kingdom. In 1958 5.6 per cent of the imports and 7.5 per cent of the exports were in trade with Russia. The Soviets have financed only 7.5 per cent of the hard core projects. But there is danger in the Soviet effort. In the field of political propaganda there is the danger of the general Indian public giving the Soviets more credit than the facts warrant. Through bilateral trade agreements the Soviets are making in-roads into India's foreign trade. Mr. Rumbold doubted the Soviets' ability to absorb more than limited amounts of Indian commodities, so that propaganda effects of purchasing distressed items are of a transient nature. Indian officials are aware of the possible danger of Soviet influence and have restricted trading with the Soviet Bloc to state trading companies, thereby reducing Soviet contact with individual Indian traders. Also, there is a limit to the amount of rupees which may be held by the Soviets. Mr. Rumbold emphasized that the United Kingdom was especially worried about Soviet penetration into the petroleum industry. His government gave serious consideration to providing special funds for the construction of the Barauni refinery, but decided against making the offer. The Indians apparently are driving a hard bargain because the Soviets have had an open field for a year, but no agreement has been signed. [1 line of source text not declassified] Burma Oil Company has agreed to supply two loans of ten million pounds sterling each, and the Government of the United Kingdom has agreed to supply three million pounds sterling for the construction of a pipeline from the Assam oil fields to the two new public sector refineries. On the surface, one can be disturbed by the large number of Soviet technical assistance personnel in India. Fortunately, most of them are assigned to the steel mill with practically all the others working in petroleum or the Bombay Technical Institute. The West is supplying much larger numbers of technicians, but the number is unknown because most of them are in the private sector. The British community in Calcutta, for example, is over 10,000. The best way to stop Soviet influence in India is to help India expand on its own merits. India is one of the best underdeveloped markets in the free world. It is well-governed, and has many of the characteristics of a western nation. It is also the highest developed country in Asia. The West's real strength lies in helping the private sector. In providing aid we should guard against competitive aid. Also, it is difficult to draw

the line between balance of payments assistance and project assistance. If we are not careful, we could give the attractive projects to the Soviets by default. Another danger is the Indians' own opinion of their capacity for growth which may be greater than their capacity to absorb. There is also the danger that development may create distress, such as the price of food increasing beyond the ability of people to pay for it. Information obtained on the Third Five Year Plan indicates that the Indians may be thinking too big. It might be wise for us to caution them to go slowly, and for us to guard against encouraging the Indians to expect too much assistance.

Mr. Bartlett said that he agreed by and large with Mr. Rumbold's observations, and would like to make the following supplementary comments:

It is possible to divide Soviet activities in India into two separate efforts. Before 1954 the Soviets attempted direct action, and were defeated. An example was their effort to obtain control of the Andara State Government. With the change in policy through its economic offensive in India there developed two objectives in Soviet policy. The immediate objective was to gain good will and thus to spread their influence. The ultimate objective was to be in control. The Soviets, in order to obtain their objectives, are using all of the tools at their disposal: aid, trade, propaganda, and cultural relations.

Soviet Handicaps:

The Soviets are handicapped by (a) the vast size of India, its diversified industries and resources, its diverse languages, the deep-seated Western orientation of its leaders, including the general use of the English language, and the respect for English law; (b) heavy Western investment—\$1.2 billion largely from England; (c) the stubbornness of the Hindu religion; (d) Soviet mistakes in Hungary, Tibet, and Finland, and the withdrawal of aid from Yugoslavia; (e) the constant, and perhaps increasing, drain on Soviet resources to aid Red China.

Soviet Assets:

The Soviet Union has certain characteristics which give it greater flexibility than Western countries. These may be summarized as follows: (a) the Soviets may take opportunistic stands on such issues as Kashmir or Goa while Western countries must base their positions on moral grounds; (b) the Soviets may take such action as its leaders dictate without having to justify their actions to a Congress or a Parliament; (c) the Soviets can pick the markets in which they wish to buy or to sell; (d) the Soviets can conscript technicians for assignments; (e) their own growth is cited as an example to underdeveloped countries; (f) over the past nine years the Soviets' gross national product has increased at a much greater rate than that of the United States; (g) the

Soviets have a local Communist Party through which to work; (h) the Soviets may concentrate on projects most suited to their desires while the United States must be prepared to provide whatever type of assistance is required.

Caveats:

The Soviet assets and influence are insufficient to force a change in India. In fact, the Government of Kerala is likely to change in the next six to eight weeks. We should not expect to keep the Soviets completely out of India. In fact, the GOI does not wish to rely only on the West for assistance. The big question is "when is the point of no return reached?" This point is a matter of judgment, and perhaps can be illustrated by the Soviet activities and influence in Afghanistan. (Mr. Bartlett explained Soviet penetration in Afghanistan.)

Mr. Bartlett concluded by saying that the West needs to maintain its relative preponderance in the economic and cultural fields. Mr. Rumbold said that Hinduism had absorbed so many points of view over the last 2,000 years that it may feel that it can absorb Communism. He doubted that it would be possible for the Western countries to maintain their relative advantages. The Soviets are going to have more goods for sale overseas, and they will find means for selling them, Mr. Rumbold observed, and said they apparently feel that from aid may develop permanent trade arrangements.

Mr. Katz discussed Soviet objectives in India, both short and long run, which he described as predominantly political and from this point of view merely a quantitative approach to comparing the Soviet and Western efforts in India, which was dangerously misleading. [*sic*] This, he said, pointed up the need for modification of Western economic policies and programs towards India to meet the challenge of the Bloc's economic objectives.

On strictly Indian problems Mr. Rumbold thought that the Indus Waters dispute and the Kashmir problem must be solved before greater regional trade could be stimulated. Mr. Rumbold thought that over the next five to seven years the main danger in India would be the Indians' attempt to progress more rapidly than their economy could justify, and would, therefore, in effect go broke. This type of situation might force them to come to the West for greater amounts of aid.

In response to a question by Mr. Kennedy, Mr. Rumbold said that the West should attempt to influence the direction of the Third Five Year Plan. If we wait until the Plan is completed, which the Indians prefer, we run the risk of being asked only for balance of payments assistance. On the other hand, if we get involved in guiding the Plan we are likely to give an implied commitment for financing it. However, in the latter event we may not be responsible for more than we

would be in any event. Mr. Rumbold was concerned that the GOI might come up with a plan that called for more external assistance than would be available. It was clear that the sort of advice he had in mind was to keep the size of the Third Five Year Plan within realistic limits. Mr. Kennedy pointed out that there was also the prior question of how large the Third Five Year Plan should be to provide the basis for the essential economic growth in India.

Mr. Rumbold said that the United Kingdom recently had suggested to the International Bank for Reconstruction and Development that the Bank send one wise man to India. He, himself, considered Oliver Franks, of Lloyd's Bank, as a possibility, as this Bank official would be going to India this fall in any event. He could go later as the IBRD's representative, and on both occasions could undoubtedly influence the direction of India's Plan. Mr. Kennedy said that he thought the Indians would prefer that a visit be made next summer after the Plan had been approved by the Cabinet, which then would be too late to have any effect on the direction of the Plan. Mr. Kennedy then defended Senator Kennedy's proposed resolution,² and suggested that it might be composed of a staff of technicians under the direction of two or three outstanding personalities. There would, of course, have to be one member of the group in general charge.

Mr. Kennedy closed the meeting by thanking Mr. Rumbold for a very interesting and helpful exchange of views.

² See footnote 4, Document 205.

238. Editorial Note

On July 31, President Rajendra Prasad issued a proclamation dismissing the Government of Kerala and declaring direct Presidential rule of the state. The Consul General in Madras reported this development to the Department of State in telegram 78 from Madras, August 1. (Department of State, Central Files, 791.00/8-159) In telegram 364 from New Delhi, August 2, the Embassy commented in part as follows: "Next six to eight month period, expected to be necessary to prepare for elections, will be the test which will show whether CPI ultimately gains or loses by Kerala incident. Developments during it will give some pointer toward outcome but it is doubtful we will know final score before election." (*Ibid.*, 791.00/8-259) Despatch 69 from Madras, August 10, reported at length on the developments in Kerala leading up to the dismissal of the government. (*Ibid.*, 791.00/8-1059)

**239. Memorandum of a Conversation, Department of State,
Washington, August 5, 1959¹**

SUBJECT

Types of U.S. Aid for India

PARTICIPANTS

Ambassador Ellsworth Bunker
OFD—Mr. William V. Turnage
SOA—Mr. R. B. Horgan
SOA—Mr. Henry W. Spielman

Mr. Turnage asked how the Department could assist the Embassy.

The Ambassador said that we need more impact projects now, despite the fact that in the past our aid had been effective without them. But the Ambassador was concerned with the speed with which we were shifting over from a program to a project basis. He cited B. K. Nehru's request for DLF money for a power program on a \$50-million-now-\$43-million-later basis, and DLF's difficulties with this procedure. They want to make allocations by individual projects only, and allocate the entire cost of a project at one time. The Ambassador wondered why, at the present moment, we could not allocate the \$50 million and give an expression of intent with regard to the remaining \$43 million. Later, as we get into the Third Five Year Plan, there would be more project-type aid.

Also, the Ambassador said he felt the U.S. couldn't stay out of the public sector. Unless we change the "Hollister policy"² we leave large areas to the Soviets by default. We create the impression that our aid has strings, that we are trying to direct Indian economic development. We are the only country with these inhibitions: the U.K. and West Germany do not have them. The Ambassador feels that the fourth steel mill is coming and that the U.S. should build it.

Mr. Turnage said that the Department had never accepted the "Hollister policy." He said that he and Mr. Randall were both sympathetic on the question of the steel mill. The problem was to give the private sector a last-gasp opportunity to get the mill. If they fail, then he believes that we will come—perhaps this fiscal year—to building the mill, with whatever tie-in to the private sector that is possible. He thought, however, that any assistance for public sector oil had very dim prospects indeed. Treasury wouldn't go along, because private money was available, and because it would open a "Pandora's Box".

¹ Source: Department of State, Central Files, 791.5-MSP/8-559. Confidential. Drafted by Rogers B. Horgan of SOA.

² John B. Hollister was Director of the International Cooperation Administration, 1955–1957.

The Ambassador reported that he had asked B. K. Nehru why the GOI wanted to use Government money for developing the oil industry when private money was available? Mr. Nehru had replied that the Prime Minister had a prejudice against the private oil companies, based on his reading of the Middle East's troubles with them. But the Ambassador noted that the GOI had partially given in, by going into a joint government-private venture in the case of the Assam pipeline. This was a delicate matter, in which we should proceed slowly and try to influence the direction the GOI was moving. The Country Team felt that we should now try to supply advisers in the field of oil exploration.

Mr. Turnage said that he was disturbed about the Third Five Year Plan. It was wrong if it allowed an increase in unemployment, instead of utilizing India's manpower resources more effectively, for example in a housing program, or other labor extensive [*intensive*] industries.

The Ambassador said that he agreed that it was desirable to go in for more of this type of development and that he had talked to the GOI about it.

Mr. Turnage mentioned the importance of India's agreeing to take more PL-480 grains. He particularly deplored the break-down of the latest negotiations, over Indian refusal to accept a 400,000 ton usual marketing requirement for a 3,000,000 ton wheat gift. He felt this was a small price for them to pay. He felt the Indians should try to expand consumption of wheat, for example by instituting a Public Works program that would provide more work, therefore more income, therefore more food consumption, therefore more PL-480 wheat.

Mr. Turnage wondered where the necessary dollars were going to come from for the Third Five Year Plan. The Ambassador indicated that Senator Fulbright's ideas for the DLF would go a long way to provide them; certainly we needed to revise our present ideas.

At the close of the meeting there was a brief discussion as to whether the Indians were justified in complaining that the U.S. had priced itself out of the market to the point where they should use our aid to buy goods in other countries. Mr. Turnage took the position that our overall trade statistics and the buying behavior of other countries than India showed this could not be true in general. The Ambassador countered by citing specific examples where particular U.S. items were up to fifty percent more expensive than those from, say, West Germany, and cited the fact that our export-import gap was closing rapidly.

240. Memorandum From the Operations Coordinator (O'Connor) to the Assistant Secretary of State for Near Eastern and South Asian Affairs (Jones)¹

Washington, August 5, 1959.

For your information or action, there is quoted below an excerpt from the preliminary and informal notes of U/OP on the OCB meeting of August 5:²

"Briefing by Ambassador Bunker

"In conformance with NSC Action 2073b, of April 30, 1959,³ the Department has been reviewing means by which disputes between India and Pakistan might be resolved. This subject has been raised in the OCB several times.

"Ambassador Bunker appeared before the Board today to brief the members on the situation in India.

"In response to Mr. Harr's⁴ request for a general outline by Ambassador Bunker for the Board's benefit and in answer to specific questions arising therefrom, Ambassador Bunker covered, inter alia, the following points:

"While a solution of the Indus Waters problem will eliminate an important economic problem and is a big first step in an Indo-Pakistani rapprochement, further progress should be allowed to develop 'step-by-step' and efforts to try and do everything at one time should be restrained, particularly in view of Indian allergy to intrusion of third parties in issues which the Indians consider only of bi-lateral concern. Settlement of the Kashmir dispute will probably be the last problem to be solved by this step-by-step process. The major irritant in U.S./Indian relations is U.S. military assistance to Pakistan, in which the Indians are as concerned with the quality of U.S. military assistance to Pakistan as with the level of the assistance.

"Ambassador Bunker stated that while he originally had some misgivings about Mrs. Gandhi serving as leader of the Congress Party, she has, despite organizational problems and a paucity of funds, proven to be more effective than he had anticipated. It is possible that the Congress Party will divide into two wings when Mr. Nehru passes from the scene—a development which Mr. Bunker felt should not disconcert us.

¹ Source: Department of State, S/S-OCB Files: Lot 61 D 385, India. Confidential. Drafted by William J. Sheppard, Deputy Operations Coordinator.

² The notes of the OCB meeting of August 5 are *ibid.*: Lot 62 D 430, Preliminary Notes.

³ See Document 68.

⁴ Karl G. Harr, Jr., Vice Chairman of the OCB.

"The Congress is likely to win the elections in Kerala, but the Communist Party may have the capability, if they coalesce with other groups, to win other isolated State elections.

"Ambassador Bunker advised the Board that the U.S. should develop some means to substitute continuity of assistance programs for present annual programs; should 'step up' the U.S. information programs in light of the 'massive and subtle' Soviet effort; and should reconsider the U.S. policy to concentrate only in the private sector in assistance programs or face a default to the Soviets in economic areas critical to the Indian economy. Mr. Bunker described the Soviet effort to influence India economically as a 'three-pronged effort' consisting of trade, aid, and technical assistance.

"Mr. Bunker also reviewed for the Board his impressions of the U.S./Soviet situation with regard to Nepal."⁵

Jeremiah J. O'Connor⁶

⁵ On August 6, Bunker also briefed the National Security Council on certain aspects of U.S. policy toward India; see Document 4.

⁶ Printed from a copy that bears this typed signature.

241. Letter From President Eisenhower to Prime Minister Nehru¹

Paris, September 2, 1959.

DEAR MR. PRIME MINISTER: As you know, I am currently engaged in a round of visits in Europe, prior to receiving Chairman Khrushchev in the United States.

I am pleased to be able to tell you that my talks with Chancellor Adenauer and Prime Minister Macmillan have been most useful, as I expect will be my talks with President de Gaulle. I have been strengthened and heartened in my determination to explore every possible

¹ Source: Department of State, Central Files, 711.11-EI/9-259. Secret; Presidential Handling. Transmitted to New Delhi in telegram 23 from Paris, September 2. Telegram 23 was repeated to the Department of State as Cahto 10, which is the source text. Tocah 13 to London, September 1, approved by Acting Secretary Dillon, transmitted the draft text of the letter from Eisenhower to Nehru. The cable reads in part as follows: "Believe Prime Minister Nehru would deeply appreciate at this juncture personal message from President expressing concern over Chicom-Indian developments." (*Ibid.*, 691.93/9-159) The draft text was approved without change. Eisenhower and Herter were in Great Britain, August 27-September 2, and in Paris, September 2-4.

avenue which might lead to a just and lasting peace by the first hand reaffirmation of common aims and basic unity which my trip is providing.

In the midst of these talks, I have been distressed to learn from your statements in Parliament that India is experiencing serious trouble with the Chinese Communist regime over border incursions and certain matters concerning Tibet. These difficulties are of concern to India's friends and, indeed, to all peace-loving countries.

Last September 11 in a speech to the American people, I had occasion to comment on other actions then being taken by the Chinese Communist regime.² I said that we, on our part, believe that we should never abandon negotiation and conciliation in favor of force and strife. It is distressing, now, to observe that once again the Chinese Communist regime is acting in disregard of that principle.

I would like you to know that I am personally following these events with concern, and that I fully appreciate the problems which they have created for you.

I appreciated very much my opportunity to see Madame Pandit yesterday and to learn directly from her some of the circumstances of these border violations.³ During our talk, I was especially grateful for your cordial invitation to me to come to India, which she conveyed.⁴

With expression of my high esteem, warm regard,
Sincerely,

Dwight D. Eisenhower⁵

² For text of this speech, see Department of State *Bulletin*, September 29, 1958, pp. 481–484.

³ Vijaya Lakshmi Pandit, Nehru's sister, was the Indian High Commissioner in the United Kingdom, Ambassador to Ireland, and concurrently Ambassador to Spain. No record of her conversation with Eisenhower has been found.

⁴ In telegram 786 from New Delhi, September 4, Brown reported that he delivered Eisenhower's letter to Nehru that day. (Department of State, Central Files, 711.11–EI/9–459)

⁵ Cahto 10 bears this typed signature.

242. Telegram From the Department of State to the Embassy in India¹

Washington, October 19, 1959—10:05 p.m.

1412. Embtel 395.² During visit US, Finance Minister Desai saw and spoke to numerous private persons and government officials. Among latter were Secretaries Commerce, Treasury, Agriculture as well as Directors DLF and ExIm Bank. In Department Desai called on Secretary, Under Secretary, and Assistant Secretary Jones.³

Among subjects covered in various conversations were following:

1) *Third Five Year Plan* which Desai said must emphasize industrialization in order to reach self-sustaining point. It, therefore, must be considerably larger than Second Plan and will require more foreign exchange. Desai indicated no decision reached as to period Plan would cover, as end Second Plan coincided with general election campaign. Government would find it necessary impose new tax measures before these elections scheduled for January and February 1962.

2) *Economic Assistance*. Desai hoped DLF would continue increase in resources and importance. Secretary agreed but remarked on difficulty experienced by Executive this year in obtaining even reduced DLF appropriations. He noted, however, increasing number of international agencies in aid field, citing Inter-American Development Fund and proposed IDA. Western European countries, he added, should now be in position contribute their share of development capital.

3) *Investment guaranty program* which Desai desired extend to cover expropriation.

4) *PL 480*. Desai reiterated GOI's opinion 400,000 ton usual marketing requirement for wheat in new PL 480 program too high.

5) *Indus Waters settlement*. Desai said chances of settlement good.

6) *Stockpiling*. Desai asked Secretary Commerce reconsider stockpile objectives to permit continuation previous level purchases mica and manganese. Also mentioned high price US machinery in comparison world market.

¹ Source: Department of State, Central Files, 033.9111/8-559. Confidential. Drafted by Anthony Cuomo and J. Wesley Adams of SOA and approved by Adams.

² In telegram 395, August 5, marked "For Ambassador Bunker," Brown reported that during a conversation that day, Finance Minister Desai informed him that he expected to be in Washington, September 28-October 4, and in New York, October 5-7, after which he would embark on a brief tour of the country. (*Ibid.*, 033.9111/8-559)

³ Desai met with Secretary Herter and Under Secretary Dillon on September 29. Memoranda of those conversations, drafted by Bartlett, are *ibid.*, 700.5-MSP/9-2959, 891.00-Five Year/9-2959, and 790.5-MSP/9-2959, respectively. A memorandum of Desai's conversation with Dillon regarding the Indus Waters dispute, also on September 29, is printed as Document 82. Briefing material for the Desai visit is in Department of State, Central File 033.9111.

Itinerary included visit with farm family, Omaha, and tour Grand Canyon both of which, according accompanying Indian Embassy officer, were of interest to Finance Minister.

Herter

243. Editorial Note

On November 13, the United States and India concluded a new agreement under Title I of P.L. 480. Under the terms of the agreement, the United States agreed to finance the sale to India of approximately \$238.8 million of commodities, including wheat, cotton, tobacco, and feedgrains, plus ocean transportation. The agreement was signed in Washington by Assistant Secretary of State for Economic Affairs Thomas C. Mann and Indian Chargé D. N. Chatterjee; for text, see 10 UST 1882. Documentation on the negotiation of the agreement is in Department of State, Central File 411.9141.

244. Telegram From the Department of State to the Embassy in India¹

Washington, November 20, 1959—9:11 p.m.

1866. Your 1206² and 1207.³ Joint ICA/State/USDA.

¹ Source: Department of State, Central Files, 411.9141/11-2059. Confidential; Priority. Drafted by George F. Hazard of the Commodities Division (CSD), Office of International Resources (OR), and cleared in substance in NEA, E, and ICA.

² Telegram 1206, October 3, a Country Team message, set forth recommendations for U.S. assistance to the Indian food and agricultural programs. It pointed out that the general political atmosphere had never been better for the advancement of U.S. influence and the acceptance of U.S. views, and offered specific recommendations for an expanded P.L. 480 program in India. (*Ibid.*, 411.9141/10-359)

³ In telegram 1207, October 3, Ambassador Bunker stated that he believed the proposal put forward by the Country Team in telegram 1206 was worthy of prompt and serious consideration for a number of reasons. Among the reasons he listed was the possibility that the United States "could make a major contribution to a concerted attack on India's most fundamental economic problem, namely the need for increased food supply for its people." (*Ibid.*, 411.9141/10-359)

1. Appreciate Country Team imaginative thinking concerning Indian food problem and possible solution. Agree critical food situation and appointment new Food Minister⁴ provide excellent opportunity assist India in attack on fundamental economic problem to mutual benefit both countries. We certainly wish maximize assistance to India in achievement greater food output and in meantime tide country over anticipated food shortages. For short term believe objectives GOI and Patil will be met by 3 million tons wheat in recent Title I agreement.

2. Prepared consider sympathetically any request which GOI might propose for Title I PL 480 program which would constitute a long-term undertaking provide surplus commodities (mainly wheat) to support its food production program and Third Five Year Plan. Would be prepared support such program provided it understood that (1) annual amounts would be reasonable in terms past experience and estimates of requirements during the period, including realistic additions to stocks, (2) there would be mutually acceptable usual marketing commitments reviewed annually, determined in the light of India's foreign exchange position and other related factors, (3) consultations with other principal supplying countries would be carried out, and (4) the amounts specified would be subject to the availability of Title I authority under PL 480.

3. Subject to annual agreement on points specified in preceding paragraph we have in mind program up to 3 million tons a year and we would be willing consider 3 to 5 year term.

4. While the adoption by India of an adequate food program is not a condition to long term agreement we continue to be concerned with gap between food production and consumption in India. In this connection we would appreciate receiving from Indian Government its plans to increase production with particular reference to price disincentives, provision of fertilizer, equipment and supplies to farmers, expansion of fertilizer production and extension services and farmers cooperatives.

5. Use both PL 480 grant and loan funds should be carefully programmed with maximum emphasis agricultural program along lines proposed refel although believe better water use and drainage higher priority than extension irrigation facilities. Requirement for carefully prepared program justification for Presidential waiver for grant should facilitate advance planning of local currency uses. Question distinctive identification projects can be considered later when GOI attitude explored.

⁴ Sadeshiv Kamoji Patil had recently been appointed Minister for Food and Agriculture.

6. To assure US TC and LC expenditure being utilized effectively CT should urge GOI agreement in principle (a) accepting throughout life of project (subject availability funds) agreed number of technicians and participants (b) providing adequate Indian personnel, land and other facilities as necessary and (c) developing definite work plan. Project administration should provide that GOI delegate authority and accountability for project results to responsible Indian official.

7. In view world-wide demands for TC probably necessary make some shift emphasis Indian TC program rather than adding full amount additional agriculture TC effort to it. Likely only major Indian effort would command sufficient support for greatly increased agricultural TC program.

8. USDA and Land Grant Universities now cooperating supplying personnel and training participants. Believe present arrangements sufficient and separate new organization to operate agricultural program in India not necessary or desirable since would present administrative difficulties.

9. Willing give favorable consideration Benson⁵ invitation to Patil to visit US at convenience both. Re Canada and Australia any direct representations by GOI now would be premature. We consult other exporters only after Interagency Agreement in principle on any proposal. Make clear that following such consultations USG takes all views into account but final decision on usual marketings is made by USG.

10. Further instructions re 104(e) grants now being prepared. Expect soonest.

Herter

⁵ Ezra Taft Benson, Secretary of Agriculture.

245. Memorandum From the Assistant Secretary of State for Policy Planning (Smith) to the Secretary of State ¹

Washington, November 24, 1959.

SUBJECT

Aid for India

1. The Syracuse University study for the Senate Foreign Relations Committee on "Operational Aspects of US Foreign Policy"² says that the Policy Planning Staff's role should be to "facilitate and guide the use of slow-acting instruments in foreign affairs, thus avoiding to some extent drastic responses to emergencies too long ignored and helping to keep these slow-acting responses from being forgotten in the rush to react to more drastic crises."

2. I would like to put in a word for vigorous use this year of one such slow-acting instrument: greatly increased aid to India.

3. It is generally agreed that:

(a) More rapid economic growth will be needed over the long run to maintain stable non-Communist government in India.

(b) More extensive US and free world financing will be needed to spur such growth.

4. It is also clear, however, that Indian development is long-term problem. There is thus a natural temptation to put off remedial action on the scale that will eventually be needed, in order to concentrate our resources in the meantime on seemingly more urgent threats.

5. This issue has now been posed in concrete terms: The FY 1961 request for a \$1 billion DLF which the Mutual Security Coordinator has submitted to the Budget Bureau includes \$350 million for India. It is intended that this aid would be accompanied by a vigorous US effort to move other free world countries to roughly matching contributions. The resulting total would—together with projected IBRD loans, private investment, etc.—just about meet the annual deficit under the proposed Indian Third Five Year Plan.

¹ Source: Department of State, PPS Files: Lot 67 D 548, India. Secret.

² Reference is to "United States Foreign Policy: The Operational Aspects of United States Foreign Policy," a Study Prepared at the Request of the Committee on Foreign Relations, United States Senate, by the Maxwell Graduate School of Citizenship and Public Affairs, Syracuse University, 86th Cong., 1st Sess., November 11, 1959 (Washington: U.S. Government Printing Office, 1959).

6. An amount of around \$350 million can probably not be committed by the US to India in FY 61 if the DLF request is very greatly cut by the executive branch even before the Congress starts to work on it. If such a cut is made:

(a) We may be postponing the action that is needed for two years, since a new administration might be reluctant to make a decision of this magnitude during its first few months in office. We might thus not be able to offer greatly increased aid, or to stimulate other countries to offer greatly increased aid, during the critical first two years of the Third Five Year Plan.

(b) We would, in addition, have lost an opportunity to influence the over-all dimensions of that Plan, which India is now firming up. Whether the Indian Government settles on a large or a small Plan will depend, in good part, on the impression which it forms in early 1960 of how much aid it can expect from the US and other free world countries.

(c) Equally important, we would have lost a chance to exploit the favorable public and Congressional attitude toward India which are likely to result in the next several months from the border situation and the President's visit to India.

7. If you take part in discussion of the FY 61 MSP with the President, I would urge that you lay before him these foreign policy reasons for avoiding a cut in our DLF request which would be so great as to cripple the prospective Indian aid program. The President's forthcoming trip to India and the strong interest that he has lately shown in the less developed areas might lead him to decide that this was one long-range program that he would make a major effort to launch before the end of his term.

246. Editorial Note

On December 3, President Eisenhower left Washington on the first leg of a world tour that would take him to 11 countries in 3 weeks, including Pakistan, Afghanistan, and India. Eisenhower arrived in New Delhi on December 9 and remained in India until December 14. Memoranda of Eisenhower's conversations with Nehru on December 10 and 13 are printed *infra* and as Document 248.

On November 13, Eisenhower discussed his upcoming trip with Lord Plowden, Chairman of the U.K. Atomic Energy Authority. A memorandum of that conversation, drafted the following day by Goodpaster, reads in part as follows:

“Lord Plowden said the President’s visit to India is extremely significant. The President agreed, commenting that for all the rest he is making a bow and expressing America’s respects. He is greatly interested in India. Here is a neutral nation of tremendous importance. In fact, he is doing all this just to get to India. He was much impressed by one thing Nehru told him when Nehru visited here—that if something spectacular could be done to show the attachment of the West and the interest of the West in India, such an action would be extremely helpful to the future course of relations between India and the West. Lord Plowden strongly endorsed this view.” (Eisenhower Library, Whitman File, DDE Diaries)

247. Memorandum of a Conversation, New Delhi, December 10, 1959, 11:30 a.m.¹

US/MC/8

PARTICIPANTS

United States

The President
Ambassador Murphy
General Goodpaster
Ambassador Bunker

India

Prime Minister Nehru
Mr. N.R. Pillai, Secretary General,
MEA
Mr. B. Dutt, Foreign Secretary

SUBJECT

Relations Between India and Pakistan; Trend of Developments in USSR and Communist China

The President and Mr. Nehru first had a conversation lasting a little more than an hour. They were then joined by the above individuals for a more general conversation.

The President said he had had informative talks in Pakistan and Afghanistan, where great economic efforts were in progress.² Nehru agreed, commenting that great forces were at work in Asia. The President asked if he had any specific points he wished to discuss. Nehru said that peace is the central issue. The President observed that peace can be endangered by specific problems, and that both positive and

¹ Source: Department of State, Conference Files: Lot 64 D 560. Secret; Limit Distribution. Drafted by Bunker and Goodpaster. The source text indicates that the conversation took place at Rashtrapati Bhavan and at Prime Minister Nehru’s residence. Bunker handed Eisenhower a briefing memorandum for his conversation with Nehru upon the President’s arrival in New Delhi. Bunker forwarded a copy of the memorandum to Bartlett under cover of a brief letter dated December 15. (*Ibid.*, SOA Files: Lot 63 D 110, India—1960)

² See Documents 375–377 and 151.

preventative steps are needed to safeguard it. Using China as an example, he said there must be a question whether it is better to let the matter slide or to get more severe.

The President mentioned his pleasure at the improvement in Indo-Pak relations, saying that he had received a favorable impression of General Ayub's sincerity of purpose and his desire to live at peace with India and to bring about a settlement of the problems presently affecting relations between the two countries. The President added that, whatever one might think of the way in which General Ayub came to power, he was impressed by General Ayub's desire to develop Pakistan economically and believed that the latter felt that both his own country and India would make more rapid progress if their differences were resolved. President Ayub felt that the real threat to both countries was from the north, through Afghanistan in the West and through Burma.

The President offered to do anything that might be considered helpful, stressing that, of course, he was not here in the position of mediator but that he regarded the problems of the subcontinent as of such importance to the free world that he would be glad to be helpful in any way he could.

Mr. Nehru then referred to what he termed the "peculiar" relations between India and Pakistan. They were essentially the same people; for example, the brother of the Chief of Protocol in the Indian Ministry of External Affairs had until recently been Secretary General of the Pakistan Foreign Office. Cousins were generals in both armies, yet this feeling of animosity which had grown up had persisted. The number of refugees had created a big problem for both countries but progress had been made, and the refugees in Western India and the Punjab had been placed or taken care of, though it was still a major problem in Bengal. Partition had left a financial problem in its wake, for the refugees in most instances had simply abandoned their properties, and, consequently, a settlement had to be worked out between the two countries as to the amounts owed. In general, the Hindus who left Pakistan were fairly well to do, whereas the Muslims who left India were of a poorer class. Consequently, the amounts owed by Pakistan were probably considerably larger than those owed by India. Mr. Nehru added that talks looking toward a settlement had been going on for some time and were, in fact, taking place at the present moment in Delhi. He hoped that now it would be possible to come to an agreement on the amounts owed.

Mr. Nehru said that he thought a better feeling is developing between India and Pakistan. Bitterness has diminished. It could however be inflamed again by demagogues at any time since the people could be quickly aroused. The President commented that it may help

to establish friendlier relations between the people to have the Governments show the way—perhaps through establishment of contact between the leaders.

Mr. Nehru said that there had been several favorable developments in Indo-Pak relations, the eastern border problem had been settled and talks were to take place on the western border problem in January. He was hopeful that this, too, would be settled satisfactorily. He remarked that progress had been made on the Indus Waters question also.

Mr. Nehru said that he hoped very much progress would continue but that every once in a while Pakistan would interject something which tended to impede matters. He cited as an example that India had thought the Indus Waters matter had been settled in principle but that only yesterday he had heard that Pakistan had demanded that there be no time limit on the completion of construction of replacement facilities. This had been surprising to the Government of India, since it had understood that the ten year period, with a possible three year extension under certain conditions, had been agreed to. Again, President Ayub had recently stated that Pakistan could not recognize any agreement between India and China on the Ladakh border since Ladakh was part of Kashmir to which Pakistan had a claim. Mr. Nehru said that, in spite of things of this kind, he hoped that progress would be made toward the improvement of Indo-Pak relations; that if the Indus Waters question were settled satisfactorily, this would be a big step.

The President mentioned the fact that while the analogy might not be a completely accurate one, the United States and Canada had lived for many years with 3,000 miles of unguarded border. This did not mean that problems had not arisen from time to time, some of which had lasted for a considerable period, but that no other settlement had ever been envisaged than through negotiation.

He referred to our aid program for Pakistan and mentioned our concern that such aid had met with an unfavorable reaction in New Delhi. Mr. Nehru indicated that this was a matter of the past, but said that one point of concern in the difficulties between India and China was an apprehension of "a stab in the back" by Pakistan while India was reacting to the Chinese threat. The President referred to the conditions inherent in our mutual security programs for all countries and emphatically stated that he could assure Mr. Nehru that as long as he was in office, and he was sure that this would also apply to his successor, the U.S. would never permit Pakistan to employ military equipment received from the U.S. for aggressive purposes against India. The President added that Pakistan and other countries receiving aid were dependent on the U.S. for ammunition and could not in any event carry on aggressive action for more than a week without U.S.

support, which obviously would not be forthcoming. The President also referred to the convincing assurances given by President Ayub that the last thing his government would wish would be to attack India in light of the fact that the real danger to both countries came from the Sino-Soviet bloc. The President said that Ayub had impressed him as progressive, forward-looking and deeply concerned with the welfare of his people.

The conversation was continued at the home of the Prime Minister before lunch in very general terms. In the course of this he gave his appraisal of developments in the Soviet Union and Communist China. He feels that the USSR has passed beyond the revolutionary stage (the Stalinist era) and is following what seems to him the historic pattern of revolutions, i.e., a slow relaxation of controls with growing pressure for a higher living standard and a consequent increasing desire for peace to enable progress to continue.

The President remarked that Mr. Khrushchev had told him that people who now could not go along with Communist Government policies were no longer sent to Siberia but were either retired or given other government jobs. Marshal Zhukov, for example, had retired and spent his time writing and fishing, and Molotov had been made Ambassador to Mongolia.³

³ Murto 24 from Athens, December 15, marked "Paris eyes only for Secretary" and "New Delhi eyes only for Ambassador," transmitted Bunker's notes of this conversation between Eisenhower and Nehru. (Department of State, Central Files, 690D.91/12-1559)

248. Memorandum of a Conversation Between President Eisenhower and Prime Minister Nehru, New Delhi, December 13, 1959, 8:30 p.m.¹

US/MC/23

SUBJECT

Pakistan; Collective Security Arrangements; Law of the Sea; Mahe; Algeria; Indian Atomic Development

¹ Source: Department of State, Conference Files: Lot 64 D 560. Secret; Limit Distribution. Drafted by Goodpaster. The source text indicates that the conversation took place at Rashtrapati Bhavan.

At about 11:00 P.M. on December 13, just after Prime Minister Nehru had left the President following a discussion at dinner and afterwards, the President reviewed the major points that had come up in their discussion.²

The outstanding one is that Nehru is anxious for either a joint declaration, or separate simultaneous statements, by India and Pakistan to the effect that all questions, forever, between them will be settled by peaceful negotiations, i.e., without resort to force or to war. The President asked whether this should apply to all questions in the future, after existing outstanding issues are settled. Nehru said it should apply to all questions including those now existing. If this were done, Nehru indicated—without being precise about it—that he would then be less opposed to our modernizing the Pakistan army. He said he would talk to his people, but he expected that, if we were to go forward with the modernization in those circumstances, they would simply not take note of it or make an issue of it.

Nehru made quite a point that the Pakistanis themselves have no stable roots. Pakistan is a nation created out of opposition to things—chiefly Indian independence—and would have remained under Britain if India itself had not forced through its own independence.

The next point discussed had to do with the problem of collective security. The President told Nehru that he favored such arrangements—in fact thinks them essential to the security of freedom in the world, but that we are not asking Nehru to join with us. The President simply hopes that he will not openly oppose us on this. Mr. Nehru indicated some understanding of our point of view and said he would discuss the matter with his Cabinet.

Regarding the question of the Law of the Sea, the President told Nehru he hoped Nehru could support our "Six and six" formula. Mr. Nehru said he would talk to Mr. Sen about this. He indicated he saw no objection but could not commit himself until he had talked with Mr. Sen.

Mr. Nehru spoke with the President about a French colony on the west coast of India. He said the Indians had made a treaty with the French a number of years ago. The French were very decent about agreeing to turn it over. However, Indian law cannot be applied in the area until the Treaty has been confirmed by both Parliaments. The French have still not done so, after six years.

Mr. Nehru and the President also talked about the course General de Gaulle is following with regard to Algeria. Mr. Nehru indicated great sympathy with de Gaulle and what he is doing there. He thinks

² Earlier that day, Robert Murphy and Winthrop Brown held a discussion with V. K. Krishna Menon on Sino-Indian relations, Indo-Pakistani relations, and various other matters. A memorandum of that conversation, drafted by Brown, is *ibid.*

the French greatly underestimate the number of Algerians that want independence. Also he thinks General de Gaulle is being “stiff necked” in refusing to talk with the rebel chiefs. How can a rebellion which six hundred thousand French troops have been unable to suppress be ended except through such talks?

Nehru next raised the topic of atomic development. India is a very promising place for atomic power development because of the cost of fuel, and the fact that the cheaper sources of water power have already been exploited. He is anxious to carry out a major program in this field and said he would like to get at least one plant of 50,000 to 100,000 kw capacity to start the program. The President told him that he would call in Mr. McCone, who is quite well informed on this matter, and that if Mr. McCone thinks that the plan has worthy possibilities, he will have him come out to India and talk to Mr. Nehru.

Further on the topic of Pakistan, Mr. Nehru said he would like very much to see Pakistan deeply committed to a program of economic development—since this would make their resort to war more unlikely.

Mr. Nehru also discussed India’s current troubles with Communist China with the President. He said he had sent a note to Chou En-lai three weeks ago proposing a basis and procedures for negotiations, but had thus far had no reply.

249. Telegram From the Embassy in India to the Department of State¹

New Delhi, December 27, 1959—7 p.m.

2170. Deptel 1829.² For following reasons US atomic power reactors would have significant political value to US in India.

¹ Source: Department of State, Central Files, 891.1901/12–1459. Official Use Only.

² In telegram 1829, November 18, the Department of State summarized a series of recent conversations between Bhabha and officials of the Department and the AEC. “Department told AEC after Bhabha meeting,” the telegram reads in part, “that if AEC could state there would be some concrete benefit to AEC in developing reactor project in India, Department would be prepared support Indian application for financing. However project not of such political significance that Department would be prepared lead way in securing financing.” The Department also requested the “Embassy’s opinion as to political impact to be gained from smaller US project if UK has larger power reactor in operation before US project.” (*Ibid.*, 891.1901/11–1859)

(1) Lack of power is a bottleneck in Indian economy; expansion of power facilities, conventional or atomic, is of fundamental importance to Indian economic development; power has high priority in five-year plans. Our helping to meet an economic need is politically important. A special political merit in the proposed atomic power plants, however, is fact that they would be located in Southern India where power shortage is notably acute and where feeling is widespread that disproportionate share of US assistance has thus far gone to Northern India.

(2) Atomic development has much appeal in India as an advanced scientific accomplishment. US-Indian cooperation in atomic power would probably have exceptional political benefit to US, pleasing to Indian pride and also demonstrating the application of US science.

(3) If US or other free world countries do not assist India we may expect GOI seek Soviet cooperation, for GOI seems firmly determined have atomic power plants. Soviet atomic expert Emilyanov, for example, scheduled visit India next month for conversations with Bhabha. Soviets would probably welcome opportunity play major role in atomic power in India just as they are doing in such key public sector undertakings as petroleum, steel, heavy machine tools. US assistance in power plants would have the political value of providing something important the Indians want from US and also the advantage of helping deny access to Soviets.

(4) Political effectiveness of US-Indian atomic power collaboration would, of course, be maximized if US were sole source of such aid. If this not possible for us the objective should be assistance from both US and other free world countries to assure India's Western orientation in this important field. We should not be deterred by possible British atomic power project.

Conclusion:

On political grounds we recommend that every possible effort be made to assist India in atomic power plants and also seek steadily to expand close US-Indian cooperation in all atomic matters. We hope group of technical representatives from US Atomic Energy Commission will visit India early next year as recently discussed between AEC and Bhabha.

Bunker

250. Editorial Note

On February 4, 1960, at the 434th meeting of the National Security Council, Allen Dulles commented on the recent elections in Kerala during his intelligence briefing:

“Mr. Dulles believed the results of the elections in Kerala indicated that the anti-Communist forces, if united, could defeat the Communists. In Kerala the anti-Communists had obtained 89 seats and the Communists 28 out of 127 possible seats, leaving 10 seats in doubt. The Communists had not lost much in the popular vote but their parliamentary seats had been severely reduced. While this election was a serious set-back for the Communist Party in India, the size of the Communist vote showed that anti-Communist efforts could not be relaxed. The vote in Bengal will be the next serious test of strength between Communists and anti-Communists in India.” (Memorandum of discussion by Marion W. Boggs; Eisenhower Library, Whitman File, NSC Records)

252. Letter From the Secretary of State to the Chairman of the Atomic Energy Commission (McCone)¹

Washington, February 13, 1960.

DEAR JOHN: I am pleased to learn from your letter of February 3, 1960² that you are sending a mission of senior personnel to India to evaluate the economic prospects of nuclear power in that country, as well as the technical capability of the Indians to proceed with a nuclear power program of modest size.

As you have noted, Ambassador Bunker has strongly recommended that the United States participate in India's nuclear power program. Subject to financial considerations, the Department supports

¹ Source: Department of State, Central Files, 891.1901/2–1360. Confidential. Drafted by Bartlett on February 10 and concurred in by S/AE, U/CEA, U/MSC, ED, and OFD. On February 12, Jones forwarded a draft of this letter to Secretary Herter who approved it without change. (*Ibid.*, 891.1901/2–1260)

² This letter reads in part as follows: “From the Commission's standpoint, any cooperative program involving substantial financial assistance would have to be justified, in large part, on political or economic grounds. Accordingly, I would be interested in receiving your comments concerning the political desirability of our developing a joint program either along the lines proposed by Dr. Bhabha or one of more modest scope, if further studies indicate the Indian objectives are technically feasible and well conceived. I also would like to suggest that the Department explore further the possibilities of financing the Indian program with the appropriate lending agencies.” (*Ibid.*, 611.9145/2–360)

this point of view if further studies indicate the Indian objectives are technically feasible and well conceived. Any nuclear power development in India would appear bound to have great impact not only on the Indians but also on other free Asian peoples in view of the standing of India throughout the world. In our view, it would, therefore, be most desirable if India's nuclear projects could continue to be supported by free world countries and not by others. Should the Soviet Union, for instance, enter the Indian nuclear power field in any important fashion, the credit which it would get therefrom would certainly be comparable to that which the Soviet Union won for itself by its substantial participation in the development of India's steel making program. This would not be to the interest of the free world.

As you know, there is apparently some difference of opinion within the Government of India as to whether and how any nuclear power development above the presently planned 250,000 kilowatt nuclear power plant based on natural uranium, in which the United Kingdom has been interested, will be financed. It would appear, therefore, advisable to await the findings of your technical mission before exploring in detail with either the Indian Government or our own lending agencies the financial aspects of our assisting any nuclear power development.

We look forward, I assure you, to an early report by your mission.³

With warmest personal regards,
Most sincerely,

Christian A. Herter⁴

³ In telegram 3090 from New Delhi, March 16, the Embassy informed the Department in part as follows: "Final meeting held with Bhabha on March 15. Team advised Bhabha it had received all information desired and had not encountered information which significantly affected conclusion expressed in memorandum of record that atomic power costs in selected areas India would be in range of conventional costs." (*Ibid.*, 891.1901/3-1660)

⁴ Printed from a copy that bears this stamped signature.

252. Memorandum From the Operations Coordinator (O'Connor) to the Assistant Secretary of State for Near Eastern and South Asian Affairs (Jones)¹

Washington, February 10, 1960.

For your information or action, there is quoted below an excerpt from the preliminary and informal notes of M/OP on the OCB meeting of February 10:²

"Special Report on the Exploitation of Kerala Elections³

"Mr. Frederic Bartlett, Director, and Mr. Rogers Horgan of the Office of South Asian Affairs were present. Acting Chairman Harr (White House), complimented the Working Group on the paper which he termed 'short, succinct and to the point.' Mr. Bartlett proposed a revision to correct the impression that the US was able to act positively in specifically making economic assistance available to Kerala. He noted that the Government of India had a great deal of control over where in India US assistance was to be applied. There followed a discussion of the possibility of DLF loans for strengthening the new Government of Kerala.

"Mr. Harr referred to the importance of publicizing Communist misrule in Kerala. Mr. Dulles (CIA) said it was not often that we had the chance to 'examine the books of a bankrupt concern.' He noted the uniqueness of the Kerala situation, one of the few regions of the world in which Communist rule was overturned. Mr. Merchant, disavowing any desire to be a Cassandra, said he believed the election constituted a reprieve rather than a victory for the democratic forces to Kerala. He noted the Communist total vote and percentage vote had increased and thought one of the main lessons to be learned was that discipline, unity and hard work were required to defeat the Communists. Mr. Allen (USIA) noted the advantage of single member constituencies, as in Kerala, over proportional representation constituencies. Mr. Dulles said he was convinced that electoral laws providing for proportional representation, in effect, favored Communist and other extremist mi-

¹ Source: Department of State, S/S-OCB Files: Lot 61 D 385, India. Secret.

² The full notes of the meeting are *ibid.*: Lot 62 D 430, Preliminary Notes.

³ At a meeting of the NSC Planning Board on February 2, the Board requested a working group of the OCB "to prepare a report as soon as possible on ways to exploit the situation arising out of the victory of the coalition parties in the Indian State of Kerala. The objective would be to agree on ways of spreading throughout South and Southeast Asia the failure of the Communist Government to deal with Kerala's problems during the time it was in control." (Memorandum from Gordon Gray, President's Special Assistant for National Security Affairs, to Major General Wilton B. Persons, February 8; Eisenhower Library, Staff Secretary Records, Gordon Gray) The special report is printed as Document 254.

nority parties. He said he hoped to write a 'thesis' on this question. He believed it was to the advantage of the US to encourage electoral laws providing for single member constituencies.

"Mr. Riddleberger (ICA) referred again to the problems his agency would encounter in finding ways to advance economic assistance to the State of Kerala. [1½ lines of source text not declassified] Mr. Harr noted the report was an exploratory paper only and the individual operating agencies could take such actions as were possible to exploit the situation in Kerala.

"The Special Report was approved for transmittal to and possible action by the responsible agencies."

Jeremiah J. O'Connor

253. Editorial Note

Soviet Premier Nikita S. Khrushchev visited India, February 11–16. For text of a joint communique issued at the conclusion of his visit, see R.I.I.A., *Documents on International Affairs*, 1960, pages 475–477.

At the 435th meeting of the NSC on February 18, Allen Dulles discussed Khrushchev's trip to India during his intelligence briefing:

"Mr. Dulles reported that Khrushchev's visit to India had not been a great success in contrast to his visit to that country five years ago. Crowds had been small, the applause had been perfunctory, and the press reaction unfavorable compared to the crowds and enthusiasm which greeted the President on his visit to India. However, India had gone on record as approving some Soviet policy positions. Khrushchev had avoided mentioning the Sino-Indian border dispute until the very end of his visit. In announcing that he had invited Chou En-lai to India Nehru had been careful to say that this invitation had been issued before Khrushchev's arrival. One reason for Khrushchev's unfavorable reception in India was his boasting of Soviet military power which tended to cast doubt on his professions of peace. Moreover, Khrushchev's attacks on the West did not go down well in India. However, India and the USSR signed a \$375 million aid agreement." (Memorandum of discussion by Marion W. Boggs; Eisenhower Library, Whitman File, NSC Records)

254. Report Prepared by the Operations Coordinating Board¹

Washington, February 17, 1960.

SPECIAL REPORT: EXPLOITATION OF KERALA ELECTIONS

1. The elections just completed in Kerala have resulted in a sound defeat of the Communists in terms of legislative seats. However, the Communists increased their popular vote markedly in absolute terms and even slightly in terms of the percent of the total vote.

2. The Communists had been able to form a government after the 1957 elections because the other political parties in the state had been divided and had fought amongst themselves; in addition, general apathy toward the 1957 election caused a relatively small vote. After two years of observation of what Communist rule meant to them in fact (as opposed to the Communists' election promises), the non-Communists overcame their apathy; they put aside their differences and opposed the Communists with all their strength. The Communists, however much lip service they may have paid to constitutional procedures, were unable to disguise the fact that they had placed the interests of their party above those of state, nation, and people—in fact above all other considerations.

3. Any exploitation of this political lesson would be vitiated if it appeared to come from the United States. However, outside India, it might be possible to make the story widely available on an unattributed basis. Inside India, we can count on a fair measure of exploitation by the non-Communist parties and by the press.

4. As the story now stands, there is partial documentation for an impressive list of misdeeds by the Communist State Government. It stole money from State funds for party use in such operations as the Andhra rice deal. It was excessively partisan in its administration of justice, in its use of the police power, and in its licensing of cooperatives and other businesses. Through its transfer and appointment actions, it corrupted the police and civil administrative services. It attempted in several ways to gain control of the ideology taught in the schools. Now that the Communist Government of Kerala has been removed, more penetrating investigations of these misdeeds can be

¹ Source: Department of State, S/S-OCB Files: Lot 61 D 385, India. Secret. Circulated on February 17 under cover of a memorandum by Bromley Smith, Executive Officer of the OCB, which summarized the discussion at the OCB meeting of February 10. See Document 252.

Assistant Secretary Jones transmitted a copy of this report to Ambassador Bunker under cover of a letter of March 18. (Department of State, S/S-OCB Files: Lot 61 D 385, India) In despatch 181 from New Delhi, August 23, the Embassy noted that it had given careful study to the OCB report and offered its comments on and reactions to the suggestions made in the report. (*Ibid.*, Central Files, 611.91/8-2360)

made by Indian authorities, and more thorough documentation provided. Discreet encouragement might be given to such investigations and their results worked into publicity for use inside as well as outside India.

5. It would be to the U.S. interest if the election defeat were to cause greater confusion among the rank and file of the Communist Party of India and a deeper cleavage in the party leadership between the radical revolutionaries, who counsel a policy of increased violence and underground activity, and the more moderate leaders, who recommend continued adherence by the party to the constitutional practices of parliamentary democracy. Communist sympathizers remaining inside the administrative and school systems in Kerala may also try to sabotage the new government. It would be useful to uncover and publicize such sabotage.

6. The long-term effectiveness of the lesson of Kerala will depend in part on the ability of the new government to produce a record of accomplishment. Efforts should be made, to the extent possible under our development assistance policies and the Government of India's economic planning, to ensure that Kerala benefits directly from at least part of our developmental and technical assistance. To this end, Washington agencies and our posts in India should give prompt consideration to possible projects or programs being planned by India which could have an impact in Kerala. U.S. investment in Kerala should be encouraged, particularly the building of fertilizer plants. U.S. importers and exporters should be encouraged to increase their trade with Kerala.

255. Memorandum From the Deputy Director of the Office of South Asian Affairs (Adams) to the Assistant Secretary of State for Near Eastern and South Asian Affairs (Jones)¹

Washington, March 30, 1960.

SUBJECT

Trombay Fertilizer Plan

Indian production of nitrogenous fertilizer is about 200,000 tons annually, nearly all of it produced in State-owned plants. India's yearly requirements of nitrogenous fertilizer are almost one million tons. During the current Second Five-Year Plan (1956–61) and for the forthcoming Third Plan, the Government of India has plans for the construction of several nitrogenous fertilizer plants to meet the country's requirements. These have been listed in the Five Year Plans as available to the private sector for investment and operation.

One of the proposed fertilizer plants is that which is to be built at Trombay. It is a Second Plan project and has been open for private sector consideration since the beginning of the Plan in 1956. Because there was no private company interested in building the plant, the GOI, believing the Trombay plant to be of very priority, decided early in 1959 to shift it to the public sector. A State enterprise, Hindustan Fertilizer, undertook the necessary engineering work and in June 1959 the GOI issued world-wide invitations to bid on the construction of this plant. These bids are to be submitted to the GOI not later than next week (April 8).

The GOI submitted an application to the DLF in July or August 1959 for assistance in financing the Trombay plant in the public sector.

On March 14, 1960, representatives of two U.S. firms, the International Mineral and Chemical Corporation and Spencer Chemical, indicated to DLF an interest in building and operating the Trombay fertilizer plant provided it were a joint venture with private Indian and GOI participation. For this reason and because of the DLF policy to encourage private participation in revenue-producing projects, DLF advised the Indian Embassy here on March 18 that it would consider the Trombay fertilizer plant for financing only in the private sector.

It was at this point that SOA, through Mr. Martin of E, requested Mr. Dillon to consider an approach to DLF for the financing of the Trombay plant in the public sector. Telegrams were sent to New Delhi

¹ Source: Department of State, Central Files, 891.3972/3–2860. Confidential. Drafted by Robert W. Adams and Spielman.

advising the Embassy of the status of the GOI application to the DLF and asking for the Embassy's views as to whether it was possible for the GOI to change its plans at this point and shift the Trombay plant back to the private sector.² The Embassy's reply (Telegram 3221, attached)³ recommends that DLF give favorable consideration to the Trombay project as a GOI public sector plant, and that the interested American companies consider investing in any of the remaining proposed fertilizer plants which continue to be available to the private sector in India. SOA supports Ambassador Bunker's recommendation and has so informed Mr. Martin, who is discussing this case with Mr. Dillon.⁴

² Telegram 3661 to New Delhi, March 18, and telegram 3771 to New Delhi, March 22. (*Ibid.*, 891.3972/3-1860 and 891.3972/3-2260)

³ Dated March 28, not printed. (*Ibid.*, 891.3972/3-2860)

⁴ In telegram 3881 to New Delhi, April 1, marked "for Amb from Dillon and Brand," the Department responded to telegram 3221. The Department suggested that if the Board of the DLF approved the Trombay loan, the cooperative spirit between the Indian and U.S. Governments and U.S. industry might be demonstrated by a simultaneous announcement that the Indian Government had approved a letter of intent to IMC-Spencer or other U.S. companies to proceed with other specific fertilizer projects in the private sector. (*Ibid.*, 891.3972/3-2860)

The Embassy responded in telegram 3372 from New Delhi, April 7, which reads in part as follows: "Greatly encouraged by reference telegram. If we follow course indicated we can avoid what might have been serious controversy and misunderstanding with GOI." (*Ibid.*, 891.3972/4-760)

The question of the Trombay fertilizer loan was not settled during 1960. Extensive documentation on the matter is *ibid.*, 891.3972.

256. Memorandum of a Conversation Between the President and the Ambassador to India (Bunker), White House, Washington, April 25, 1960¹

SUBJECT

U.S.-Indian Relations

I referred to the President's visit to India; to the unprecedented reception he had received; and to the fact that it seemed to be the consensus among keen Indian observers, both in and out of government, that the visit would have a permanent beneficial effect on Indo-U.S. relations.

¹ Source: Eisenhower Library, Whitman File, DDE Diaries. Confidential; Limit Distribution. Drafted by Bunker, who was in Washington for consultations, April 20-26.

The President said that he was pleased to hear this. He then inquired about the village of Laronda which he had visited and to which he had made a contribution for purchase of a radio. I informed the President that the radio had been purchased, that the villagers were greatly pleased with it, and that I would send him a report when I returned to India.

I also mentioned to the President the great interest in his visit which has been shown in the parts of India he had not had an opportunity to visit. The people everywhere seemed to share the enthusiasm shown in Delhi and Agra. For example, a citizen of Madras had written me that he had named his residence "*Ike House*", and invited me to participate at its inauguration.

The President referred to his concern over the situation in Afghanistan, especially over the heavy Soviet penetration, and the friction between Afghanistan and Pakistan over the Pushtunistan question. At the same time he noted his pleasure at the improvement in Indo-Pakistan relations, and his feeling that Mr. Nehru was taking a more realistic view of world developments.

I replied that I felt there had been a substantial bettering of Indo-Pakistan relations and that one of the important contributions to this improvement had been the assurance the President had given Mr. Nehru that American weapons would not be used by Pakistan to attack India. I felt that this had made a great impression on Mr. Nehru and in Indian Government circles.

I added, however, that our recent action in giving Sidewinders and the ten F-104's to Pakistan had caused considerable concern to the Indians, not because they in any way questioned our intentions or objectives, but because our doing so, they felt, rendered their air force obsolete vis-à-vis that of Pakistan. They also believed that this strengthening of Pakistan would have the collateral effect of making their negotiations with the Pakistanis more difficult. It seemed to me that this source of friction could be overcome if, when we gave Pakistan more modern military equipment, we should also offer to sell similar equipment to India. The Indian Air Force will undoubtedly feel that it will have to buy equipment similar to the Sidewinders from the British, but the British equipment is much more expensive than ours. Thus its purchase will place an additional burden on the Indian budget at a time when India is facing an expenditure of some \$250 million for roads and communications along the northern border, and at a time when they feel so strongly that they should be investing everything possible in building up their economy vis-à-vis the Communist Chinese.

The President replied that he saw no reason why we should not offer to sell similar equipment to the Indians, and in fact thought we should do so. He asked me to inform the Department of his views.

I referred to the accelerating program of India's economic development program and expressed my opinion that our assistance, because it had been flexible, had been the most effective aid rendered the Indians. I said that I believed that the Indian Government recognized this and greatly appreciated it. I expressed the hope that our aid would continue to be flexible as between project and other types of aid, and as between the public and private sectors: that we would not be doctrinaire about this.

The President expressed the view that we should continue to be flexible. It was obvious that India and others of the underdeveloped countries would develop systems differing from ours which had started out in a vast, empty continent with few people in it. Had we had our present population at the time we achieved independence, we undoubtedly would also have developed along different lines. The President said he might refer to this in a forthcoming speech.

257. Editorial Note

On May 4, the United States and India signed an agreement providing for the sale to India of \$1,276 billion worth of U.S. wheat and rice over a 4-year period under Title I of P.L. 480. The agreement was signed in Washington by President Eisenhower and S. K. Patil, Minister for Food and Agriculture. For text of the agreement, see 11 UST 1544; for text of the White House press release announcing the agreement, as well as statements by the President, Secretary of State Herter, and Ambassador Lodge, see Department of State *Bulletin*, May 30, 1960, pages 889-891. Extensive documentation on the negotiation of the agreement is in Department of State, Central File 611.9141.

258. Telegram From the Embassy in India to the Department of State¹

New Delhi, May 5, 1960—10 a.m.

3723. For Under Secretary Dillon and Assistant Secretary Jones. Defense Minister Menon called on me personally last night to say that GOI was engaged in substantial movement of troops to northern border and large program of road building in that area for their support. This was considered by GOI as matter of urgency. In view conditions in the area only way troops could be effectively supplied was by air.

Hence GOI wanted to buy 29 Fairchild C-119 Packets with spares at once. It was urgent to get them here before monsoon when road traffic would become difficult or impossible. GOI wants to buy a further 30 C-119s later for support road construction operation. These, Menon hoped, might be financed through Export-Import Bank or other credits. Menon said he was also interested in possibility buying one or two Lockheed Hercules C-130s which he understood might be available since they were being superseded by a later model. Menon said that only US and Soviet Union had this type of plane in operation.

Menon asked me to help him make these purchases urgently and at a good price. He even asked me to telephone Washington about it.

This provides a new and unique opportunity to assist GOI militarily in effort to strengthen defenses against Chinese Communists, to get US type equipment into Indian forces, and to establish closer working relationships with GOI armed services. It is also pertinent that many other aircraft suppliers anxious get GOI's business. It is clearly in our interest do everything possible stiffen GOI posture vis-à-vis Chinese Communists. That GOI turns to us at this juncture is encouraging development which I believe we should exploit promptly and to maximum extent possible.

I am aware of fact that interest in these aircraft has been previously expressed by GOI air force officers, including Air Marshal Mukerjee and that we have so far not been anxious respond affirmatively at least in part because these aircraft have been earmarked for Air Force reserve program. However, this urgent approach by Menon against the background of developments on the Chinese Communist border seems to me to warrant most serious consideration this request.

¹ Source: Department of State, Central Files, 791.5622/5-560. Secret; Niact; Limit Distribution. The telegram is marked: "For delivery at 8:30 a.m." It was received at 3:10 a.m.

As reported to Department, while I was in Washington I discussed possibility of selling certain types of weapons to GOI with the President and he indicated full sympathy for this idea.²

I therefore strongly recommend that we respond promptly and affirmatively to this request and offer to sell GOI the aircraft they require at prices appropriate to their age and for rupees, as we did in case of arms sales to French. (See Brown letter to Bartlett November 13, 1959 and Bartlett's reply December 17, 1959.)³ GOI may not accept sale for rupees since they might consider it to have too much flavor of military aid, but it would be well worth trying. If they did agree it would relieve GOI balance or payments of some of burden of their new requirements for defense against Chinese Communists, and be substantial first step in opening door to further military aid if required.

A further reason for acquiescing promptly in this request is that doing so would take much of the sting out of our recent decision to supply GOP with F-104s and with Sidewinders.⁴

Bunker

² See Document 256.

³ Neither found

⁴ In telegram 4359 to New Delhi, May 7, the Department of State noted that it had "consistently and strongly" supported the Indian request for additional C-119s. As a result, the U.S. Air Force had recently initiated an availability study. The telegram, which was repeated to Karachi, also instructed the Embassy there to tell the Pakistani Government on a strictly confidential basis of the decision to sell the aircraft to India. (Department of State, Central Files, 791.5622/5-560)

In telegram 3759 from New Delhi, May 9, the Chargé stated that he advised Defense Minister Menon that day that the United States was willing to sell India C-119s immediately if convinced that the Indian Air Force could utilize them fully and could furnish pilots to pick them up. Indian Air Force officials, who were present at the meeting, agreed to this procedure. (*Ibid.*, 791.5622/5-960)

In telegram 2766 from Karachi, May 17, Ambassador Rountree reported that he informed President Ayub that morning of the U.S. decision to sell the C-119s to India. He noted that while Ayub was "obviously not happy over decision, he interposed no objection." (*Ibid.*, 791.5622/5-1760)

**259. Memorandum of a Conversation, Department of State,
Washington, May 23, 1960¹**

SUBJECT

Aid for India

PARTICIPANTS

The Under Secretary

Mr. L. K. Jha, Secretary-Designate of the Department of Economic Affairs of the
Ministry of Finance (India)

Mr. B. K. Nehru, Indian Commissioner General

Mr. Donald D. Kennedy, Deputy Assistant Secretary, NEA

Mr. Nehru took the occasion of Mr. Jha's courtesy call to discuss three points relative to India's economic needs: (1) India's additional foreign exchange requirements of the last year for the second Five-Year Plan; (2) the situation with respect to getting the third Five-Year Plan started; and (3) interest in a multi-year PL 480 cotton program.

Last Year of Second Five-Year Plan

Mr. Nehru handed the Under Secretary a paper (attached)² showing a gap of \$284 million in foreign exchange availabilities for the last year of the second Five-Year Plan ending March 31, 1961 (the British have estimated this gap to be \$253 million, the difference being explained by Mr. Nehru's failure to offset against the gap the second German loan of \$30 million as yet unexpended). The critical element in closing the gap is the Indian proposal that the United Kingdom should provide \$100 million. Mr. Nehru asked the Under Secretary to make clear to the British that we were doing all we could through the DLF loan procedure which was not amenable to the current problem of meeting the short run situation in India. The Under Secretary agreed to speak to the British along this line.³

Third Five-Year Plan

Mr. Nehru said that it was necessary to get orders out this year in connection with the start of the third Five-Year Plan scheduled to begin April 1, 1961. Their analysis produced a figure of \$670 million, and he would like to have an indication from the United States and the IBRD as to what portion of this amount it would be willing to think of as their share without of course any commitment at this time. He

¹ Source: Department of State, Central Files, 891.00–Five Year/5–2360. Confidential. Drafted by Kennedy.

² Not printed.

³ Later that day, Kennedy met with Lord Cromer, Economic Minister of the British Embassy, to discuss this subject. A memorandum of that conversation, drafted by Anthony Cuomo, is in Department of State, Central Files, 891.10/5–2360.

was going to Europe in early June and wanted to discuss aid with other countries. If he were given some indication of our views before he left, this would give him a basis for working on the Germans and the French in particular. In anticipation of more detailed discussions with the DLF he had already reviewed tentatively with Mr. Brand a list of projects under the Third Plan.

The Under Secretary responded that it was really impossible to give any positive indication at this moment. For one thing, we would not know how much additional money would be available to DLF until after Congress had passed the appropriations legislation which would likely be in the latter part of June. Certainly our interest in India's development had not slackened and possibly India's past experience with us in this area might provide an indication.

Mr. Nehru asked about approaching the Export-Import Bank for a line of credit which could be used in the private sector. The previous line of credit had been exhausted and India needed additional assistance of this character. The Under Secretary indicated that this should be discussed with Mr. Waugh, President of the Bank.

PL 480—Cotton

Mr. Nehru said that India would like a long-term deal in cotton—1.5 million bales over five years. There would be no difficulty as to a normal marketing requirement. The Under Secretary replied that so far as he knew there should not be any difficulty in principle. After a short exchange of views it was agreed that the existing request for 300,000 bales should be taken care of first—the long-term arrangement would then be the subject of examination.

260. Memorandum by the Officer in Charge of India, Ceylon, and Nepal Affairs (Fleck)¹

Washington, June 7, 1960.

INDIAN REQUEST TO PURCHASE SIDEWINDER MISSILES

The Government of India has requested to purchase an unspecified number of Sidewinder missiles. This request follows closely on our agreement to sell to India twenty-nine C-119 cargo planes and our

¹ Source: Department of State, SOA Files: Lot 63 D 110, India—Sidewinders. Secret. Cleared with NEA, U/MSC, and SCA/MC. According to a June 13 covering note from Raymond L. Perkins of S/S to NEA, the memorandum was prepared for discussion by

informing the Indians of our decision to program Sidewinders and F-104 fighter planes for inclusion in our military aid program to Pakistan. On April 25 Ambassador Bunker, during his call on the President, pointed out that the Government of India, upon learning of the provision of Sidewinders to Pakistan, would undoubtedly feel itself compelled to purchase similar equipment. The Ambassador pointed out that the equivalent weapon manufactured by the British is more expensive than the Sidewinders and that purchase from the British would thus place an additional burden on the Indian budget at a time when India is already spending large unforeseen amounts on communications and transportation facilities along its northern border. Ambassador Bunker reported that the President stated that he saw no reason why we should not offer to sell to the Indians equipment similar to that furnished to the Pakistanis and that in fact he thought we should do so. Ambassador Rountree has reported that any favorable response to the Indian request, prior to delivery to Pakistan of the Sidewinders already promised, would have an extremely adverse affect on our relations with Pakistan.²

Recommendation:

It is suggested that the Secretary inform the President that our proposed response to the Indian request is as follows:

In view of the present delicate state of our relations with Pakistan and the damage which would be inflicted upon them should the Pakistanis learn that we have decided to sell Sidewinders to India prior to the delivery of the Sidewinders already promised to Pakistan, we hope to persuade the Indians to purchase the equivalent weapon from the United Kingdom.³

the Secretary with the President. "You are informed," Perkins noted, "that the Secretary raised this matter with the President on June 10, and that the President approved this proposed action." A handwritten note on the source text also indicates that the President approved of the proposed action during a meeting with Secretary Herter on June 10. No other record of the Eisenhower–Herter meeting has been found.

² Reference is to telegram 2874 from Karachi, May 28. (*Ibid.*, Central Files, 790D.56311/5–2860)

³ In a June 15 letter to Assistant Secretary Jones, Ambassador Bunker indicated that he was "keenly disappointed" with the decision not to go ahead with the sale of Sidewinders to India, and explained in detail why he believed that there were "strong and compelling reasons" to sell the missiles to India. (*Ibid.*, SOA Files: Lot 63 D 110, India—Sidewinders)

261. Telegram From the Embassy in India to the Department of State¹

New Delhi, June 22, 1960—6 p.m.

4203. For Dillon/Waugh from Bunker.

1. Understand GOI Washington requested amount \$150 million EXIM line of credit.² I believe extension such credit by US will have important and far reaching beneficial economic [effects?] at this time and in my view favorable reply would be appropriate on grounds both of Indian needs and contribution it will make to both Indian and US interests. I wish particularly to bring [to] your attention urgent requirement at least some of this request be met in immediate future, having in mind other forms of our assistance do not meet considerable present foreign exchange needs for generalized equipment imports for private sector in India, especially medium-sized firms.

2. Existing EXIM Bank credit has made significant contribution in awakening Indian industry to desirability having American equipment. For many reasons, including traditional orientation to Europe and earlier dollar exchange restrictions, American suppliers previously made no deep inroads into Indian market. This, I believe, now changing with greater awareness on part of Indians what US has to offer competitively and complete elimination discrimination against dollar imports. In many lines first preference here now is for US equipment. GOI, however, generally issues import licenses for capital goods only when availability of foreign exchange is assured under long-term credits. I think would be unfortunate setback to growing penetration Indian market by US suppliers if many desires for US equipment not possible to fulfill because nonavailability US financing. Thus, I believe further EXIM line of credit would not only give tangible support to current US export drive, but would also strengthen position US suppliers in Indian market over long-run by introducing or continuing supply American equipment at this time of significant industrial growth in India.

3. I understand GOI estimates annual requirements for dollar imports in textile machinery alone about \$12 to \$15 million and machine tools at about \$5 million. Believe without EXIM credit bulk of

¹ Source: Department of State, Central Files, 891.10/6-2260. Official Use Only.

² In a meeting with Assistant Secretary Kennedy on June 21, Govindan Nair, Minister for Economic Affairs of the Indian Embassy, noted that the Indian Government had recently approached Waugh, seeking approval of a second loan of \$150 million, of which the Indian Government would like early use of \$107 million for a series of private sector industry requirements. According to Nair, Waugh was not enthusiastic about extending a line of credit for a series of miscellaneous items, appearing to prefer direct loans to the industries involved. (Memorandum of conversation by J. Wesley Adams; *ibid.*, 611.9141/6-2160)

these purchases will surely not be made in US. Similarly, as indicated frequent inquiries to Embassy offices about dollars to purchase US equipment, Indian firms in number other industries anxious import US equipment.

4. In my view most important to maintain momentum present rapid growth of private industrial sector in India, and EXIM line of credit particularly suitable to contribute this important objective. During past year private sector orders amounting to \$87 million for US equipment approved under first EXIM credit, in addition to \$63 million for government purchases. I do not have in mind precluding under new EXIM credit allocation for public sector projects, involving such items as dredges, earth moving and large generating equipment, et cetera, which have proved their worth in India. However, it is vital area of private sector investment by medium-sized firms, not susceptible other forms US assistance, where I think need is great and EXIM line of credit can play important role.

5. In light of above considerations I urge consideration making available immediately new EXIM line of credit preferably in amount about \$75 million, and as minimum \$50 million pending more thorough consideration additional amount such credit.

6. Embassy preparing and will pouch soon statement of Indian obligations payable in foreign currency to lenders through the world³ as requested in Waugh to Sherwood letter.⁴

Bunker

³ This information was transmitted in despatch 3 from New Delhi, July 1. (*Ibid.*, 891.10/7-160)

⁴ Not found.

262. Letter From the Assistant Secretary of State for Near Eastern and South Asian Affairs (Jones) to the Ambassador in India (Bunker)¹

Washington, July 13, 1960.

DEAR ELLSWORTH: Thank you for your thoughtful and well-reasoned letter of June 15 defending—and indeed urging—the sale to India of items of military equipment supplied to Pakistan.²

The fundamental question, as I see it, is how best to build stability, progress and a community of Free World purpose in a divided South Asia. The divisions remain severe and suspicions continue high, much as we hope to assist in their abatement. Between Pakistan and India, it is certainly clear that the latter has virtually all the cards, and that the gap between them, in terms of national power, is bound to widen as time goes on. India has the self-assurance that comes from knowing that its achievements to date and its potential growth have earned for it a position of real and ever increasing importance in the world. In my opinion, now that even limited warfare requires a reasonably strong financial and industrial base, India really has nothing to fear from Pakistan's military establishment, even if a momentary "qualitative superiority" in some individual weapon crops up from time to time as a result of our policy of gradual modernization of that establishment. Whatever their public positions may be, I believe the leaders of both countries fully realize this.

Pakistan [6½ lines of source text not declassified] has committed itself to us and the West. In becoming our wholehearted military ally. Pakistan has undertaken real responsibilities and risks, making its territory available to us for a series of projects highly important to our national security. A military alliance in these days of hectic technological change cannot be a static thing, and Pakistan naturally looks to us for further confirmation of our alliance in the light of each new major development on the world scene.

I am impressed by the table on our aid to both countries which was an enclosure to your letter. However, as you well know, Pakistan does not—and, I'm afraid, never will—accept the "per capita" theory of aid, and it will always hold to the belief that an ally should certainly be given *better* treatment than a "neutralist" country. We certainly cannot, at this time or in the foreseeable future, give Pakistan the

¹ Source: Department of State, SOA Files: Lot 63 D 110, India—Sidewinders. Secret; Official-Informal. Drafted on July 11 by G. Lewis Jones, Parker T. Hart, Bartlett, and Robert W. Adams.

² See footnote 3, Document 260.

feeling that there is no advantage to alliance with us and that it could do better by playing both sides, as it feels India does. Whatever the merits of the Pakistani arguments, the hard fact remains that, if our mutual security system is to remain intact, we must show Pakistan—and many of our other allies—that substantial benefits flow from a military alignment with us against the Communist bloc. We cannot, therefore, afford to undermine this stand by adopting a policy of automatically *offering* to sell to India items of military equipment which we provide to Pakistan.

Please do not feel, however, that we are indifferent to your arguments or taking a negative stand on the specific matter of “sidewinders”. We are now, in fact, in the process of obtaining a decision on whether “sidewinders”, presently a highly strategic item which can be given to some—but not all—of our allies, will be made available in the near future for sale to certain friendly, non-allied countries. If the decision is in the affirmative, we would then be able to consider carefully the possible sale of this item to India.

There are other problems involved in the provision of “sidewinders” with respect to the time-lag of delivery. Actual programming cannot begin for any country until after a thorough, on-the-spot security check conducted by U.S. military and civilian personnel, and the construction or remodeling of storage sites acceptable to our security experts. Then, even though the desired number of “sidewinders” might be available from our stocks, there must be manufactured the “launchers”, without which, of course, the “sidewinders” are of no use. These “launchers” are not held in our military stocks and a delay of six months or more must be expected before they are assembled by the one firm engaged in their production. Two other smaller problems might be noted. We are unclear as to whether the sidewinders will fit India’s current fighter planes. Although the price of the comparable British weapon may be higher, representatives of the British Embassy here, who have admittedly an interest in selling British products, maintain that the firestreak is a better instrument than the sidewinder.

Our only report of any Indian interest in acquiring “sidewinders” is that contained in your telegram 4073 of June 13, referring to Krishna Menon’s almost casual mention of them to Secretary Sharp and yourself.³ Certainly, the very active Indian Air Attaché⁴ here has not raised the question officially with the Pentagon, although he, Ambassador

³ In telegram 4073, Bunker stated that India’s recent inquiries regarding Sidewinder missiles consisted entirely of a remark by Menon to Dudley C. Sharp, Assistant Secretary of the Air Force for Matériel, and himself that India wanted to purchase the missiles. (Department of State, Central Files, 791.5612/6-1360) Sharp was in India at the time on a brief visit.

⁴ Group Captain H. S. Ratnagar.

Chagla, and Secretary Pulla Reddi discussed it informally with Fred Bartlett. Perhaps the need for an on-the-spot security survey has dampened their initial enthusiasm.

Because of the need, as I see it, to get "sidewinders" to Pakistan first, even though some months from now, and because of the other delivery problems mentioned above, I would hope, therefore, that no one encourages the Indians to approach us on "sidewinders", at least until "sidewinders" are actually in Pakistani hands.

In this connection I fully agree that it is desirable to bring the GOI armed services closer to the West, including the United States. I feel certain we can foster this trend without antagonizing Pakistan, but it should, in my opinion, be on a case-by-case basis. I would like to see us concentrate for the time being on areas of cooperation which are clearly (to GOP as well as to others) in Free World defense interests and which are fundamental to India's basic defense needs. Preferably such cooperation would also be unspectacular, but if conspicuous items are necessary from time to time, I hope they can be tailored clearly to the special requirements of the Indo-Tibet border situation and not of a kind which would be likely to impress the GOP as a "transferable threat".

Yours ever,

G. Lewis Jones⁵

⁵ Printed from a copy that bears this typed signature.

263. Telegram From the Department of State to the Embassy in India¹

Washington, July 28, 1960—7:07 p.m.

245. Embtels 4203² and 49.³ Deptel 67.⁴ B. K. Nehru saw Waugh and several Directors Ex-Im Bank this week re question of \$150 million dollar line of credit. He was told that \$50 million could be considered with 5 year moratorium and 10 year repayment period. Nehru indicated that this posed problems for him and suggested that consideration of loan be delayed until his return from India in early September in time for the IBRD Consortium meeting now scheduled for Paris September 12–14. His concern involved the extent to which India could undertake additional hard loan obligations for period involved and relation terms proposed to his efforts obtain better terms for loans from UK and European countries. Department informed GOI has been attempting to better its credit terms other countries and hoped to be able to use loan from US on favorable basis in support of its attempts.

Indian request for \$150 million long term credit presents several problems for Ex-Im:

(1) Credit would not extend to Indian purchasers who would be requested to pay cash.

(2) Requested repayment period of 20–25 years has no relationship to commercial transaction with US suppliers or to useful life of purchased equipment and would establish an unfortunate precedent for other countries.

(3) Bank prefers project loans.

(4) Bank of course interested in assisting in sale of American equipment but must take into consideration repayment prospects.

¹ Source: Department of State, Central Files, 891.10/7-760. Confidential. Drafted and approved by Kennedy and cleared in substance with Waugh.

² Document 261.

³ In telegram 49, July 7, for Dillon and Waugh, Bunker again emphasized the great importance which he attached to the prompt provision by the United States of the means to finance India's purchase of U.S. equipment which could not be handled on an individual project basis. He was eager to see the Export-Import Bank "step into breach," and he hoped that the Bank could extend a second line of credit to India along the lines suggested in telegram 4203. (Department of State, Central Files, 891.10/7-760)

⁴ Telegram 67, July 8, for Ambassador Bunker, reads in part as follows: "Appreciate force points your tel. 49 and you may be sure importance of general problems financing US equipment for India not being overlooked." (*Ibid.*, 891.10/7-760)

On July 25, Dillon discussed the Indian request with Waugh over the telephone, expressing his hope that the Bank would not "totally discourage" Nehru. (*Ibid.*, Secretary's Memoranda of Conversation: Lot 64 D 199)

Ex-Im Bank remains ready consider a loan of some character and amount but further discussions will have to await return of B. K. Nehru, who is leaving for New Delhi this weekend. Letter enroute to Sherwood from Waugh.⁵

Herter

⁵ Not found.

264. Memorandum of a Conversation, Department of State, Washington, August 17, 1960¹

SUBJECT

Possibility of Preventing Indian Purchase of Soviet Helicopters

PARTICIPANTS

Mr. T. Eliot Weil, SOA
 Mr. William Baxter, U/MSC
 Colonel Johnson, OSD/ISA
 Mr. Albert W. Stoffel, AV
 Mr. William Carpenter, NR
 Mr. Carleton Coon, U/CEA
 Mr. Benjamin A. Fleck, SOA

Mr. Weil opened the meeting by presenting a list of questions which the reported decision of the Government of India to purchase a Soviet MI-4 helicopter has raised for the U.S. Government.² These questions and the consensus of the group's reaction to them may be summarized as follows:

1. *How important is this first Indian purchase of Soviet military equipment in terms of our relations with the Indian Armed Forces?*

The messages from New Delhi seem to indicate that the Indian military leaders are doing everything they can to give the United States the opportunity to come forward with a helicopter with performance characteristics similar to those of the MI-4 and on terms

¹ Source: Department of State, Central Files, 791.5622/8-1760. Confidential. Drafted by Fleck.

² In telegram 361 from New Delhi, August 12, the Embassy confirmed the reported sale of a Soviet MI-4 helicopter to India, and also pointed out that Krishna Menon was "reliably reported" to be pressing for the purchase of at least ten additional Soviet helicopters. The Embassy stated that it believed a decision by the U.S. Government was necessary "on what action United States Government, alone or in collaboration with United Kingdom, Italy, France or other Western suppliers, prepared take to meet Soviet offensive in sale military equipment to GOI." (*Ibid.*, 791.5622/8-1260)

which would be sufficiently close to the advantageous terms offered by the Soviet Union to justify its purchase by the Government of India rather than the Soviet helicopters. The group felt that the presence in the Indian armed forces of officers who had been trained in the United States, or who had come into contact with American officers, should act as a force in favor of continued good will toward the West and a continuing predilection for obtaining equipment from Western sources rather than from Soviet sources. The group agreed that further information should be sought from the Embassy in New Delhi concerning the reasons for Krishna Menon's desire to purchase Soviet helicopters in spite of the opposition of his service chiefs.

2. How important is this purchase in terms of the possible effect on export sales of helicopters produced in the United States and other Western countries?

Mr. Stoffel stated that he did not have current information on the availability for export of the various helicopters manufactured in the United States. However, the group felt that the market promised to be an expanding one. It was pointed out that Bell, Kaman, and Sikorsky have all been very interested in demonstrating their products to the Government of India. Mr. Fleck pointed out that one of the enticements of the Soviet deal was the apparent Soviet offer to consider licensing the MI-4 for production in India. He asked if there were any indications that the United States firms would be interested in entering into licensing arrangements with the Government of India for manufacture of helicopters in India. Mr. Stoffel replied that he was unaware of any interest in such an arrangement on the part of any American firm and stated that he believed that both manufacture and the arrangement of licensing agreements with the Government of India would be more difficult in the field of helicopters than in the field of conventional aircraft.

3. How important is this purchase in terms of the possible effect on Indian weapons systems?

It was pointed out that present Indian weapons systems are almost exclusively British in origin. Mr. Carpenter stated that the Indians were being forced to make certain adjustments in their techniques as a result of their acquisition of C-119 transport aircraft from us and that problems arising from the introduction of a Soviet helicopter would be even greater because of the language barrier and differences in approach between Soviet and western military forces.

4. How important is this purchase in terms of the extent to which Soviet technicians may be able to penetrate the Indian forces?

The group agreed that, in itself, the purchase of one helicopter did not pose a tremendous problem in this respect, but it was pointed out that in view of the technical complexity of a helicopter and in the light of difficulties encountered by the Russians in the performance of

equipment sold by them to other countries, there was a good possibility that the number of Soviet technicians, which would be brought to India in connection with the helicopter sale, would exceed current Soviet estimates and Indian expectations. As noted below, the introduction of technicians into close contact with the Indian military forces would pose very serious problems in connection with possible Indian procurement of advanced or highly classified weapons from the United States.

5. *Would it be possible for the United States Government to subsidize the sale of American helicopters to India in order to meet the terms of the Soviet sale, which are reported to provide for payment in rupees and relatively easy financing?*

Mr. Baxter indicated that under existing legislation there is no possible way in which funds can be used to subsidize commercial sales of helicopters to India. It was pointed out that the general question of subsidization of sales of American goods to make them competitive with artificially priced goods sold by the Communist bloc is one to which the United States Government has not as yet been able to find a satisfactory answer. Considerable skepticism was expressed over the willingness of any U.S. manufacturer to accept payment in rupees. It was also pointed out that payment in rupees does not appear feasible in connection with sales by the U.S. Government to India under the Mutual Security Act.

6. *Is the Soviet MI-4 helicopter better than any available American helicopter in performance characteristics?*

Upon examining performance data made available by the Department of Defense, the group concluded that no American helicopter in production is exactly comparable to the MI-4 in performance characteristics. However, Colonel Johnson pointed out that each helicopter model has differing characteristics, depending upon the mission for which it is required. He pointed out that the messages from Embassy New Delhi indicated that the Indians were quite impressed by the performance of the Bell helicopters currently being tested, although they were not in the same category as the MI-4.

7. *If the United States were able to equal the terms offered to India by the Soviet Union in regard to the sale of helicopters, would this lead the Indians to attempt to use further offers of Soviet equipment to force the United States to offer bargain prices on U.S. equipment?*

The group was of the opinion that this was a real possibility and that even if some way could be found to meet the terms of the Soviet offer, this would establish a precedent which might create difficulties in the future. Concern was expressed over the possible cost to the United States Government of trying to match the terms of future Soviet offers in the military field.

8. *If we could find some way of meeting the Soviet terms through some form of subsidization, would the probable cost to the United States Government be justified in terms of (a) keeping India in the free world and (b) improving Indian military capabilities for possible use against Communist Chinese aggression?*

Mr. Weil suggested that the answer to these questions might depend on high-level assessment of the role envisaged for the Indian armed forces in the event of a world conflict. Without knowing what that assessment is, it is difficult to know whether it would be in the interest of the United States to undertake any large-scale military program of support to the Indian armed forces. Such a program, which might logically emerge from a decision to prevent, at any cost, the purchase of Soviet military equipment by India, might well be a drain on U.S. resources and would also divert Indian resources from the basic task of economic development.

[9.] *If the Indians accept the presence of Soviet military technicians in India in connection with the purchase of Soviet helicopters would this have any effect on the ability of the United States to respond favorably to any future Indian requests for more advanced types of weapons?*

The group thought that this might well be one of the unfortunate aspects of any Indian purchase of Soviet helicopters.

265. Telegram From the Embassy in India to the Department of State¹

New Delhi, September 17, 1960—3 p.m.

623. Based [*less than 1 line of source text not declassified*] report which indicates there good possibility GOI preparing purchase additional eight Soviet helicopters plus 8 transport planes, suggest Embassy be authorized to approach GOI with firm offer to supply in package deal helicopters, aircraft and road building equipment for use by the Border Road Development Committee for Indian border building program. Type helicopters, aircraft and road building equipment to be provided under proposal should be selected on basis GOI's expressed preference.

Since Border Road Development Committee under civil component GOI, financing for proposal could be covered by DLF, or EXIM loan and would not be considered military assistance which GOI still

¹ Source: Department of State, Central Files, 791.5622/9-1760. Secret.

opposed to committing selves on. Price of equipment offered should be geared to surplus value and sufficiently attractive off-set Soviet rock bottom prices and fact that Soviets' offer on rupee payment basis.

Object package deal primarily geared prevent Soviet penetration Indian aviation market and more so Indian military. Though road building program under civil control, aviation equipment to be manned by military personnel and would clearly be part military capacity. Consider following type aircraft and helicopters would meet Indian needs, requirements. Numbers to be determined when discussions held with GOI. Aircraft: C-130, 124 or KC 97 Gs. Helicopters: Boeing Vertol, Kaman, Sikorsky 62 with bigger engine or Bell 204. Price factor and delivery date extremely important in light urgency which Indians attach to this program. Indication of quotable prices desired. Consider urgency of matter dictates that we make concrete offer shortly if we are to prevent Soviets from entering this critical Indian field.

Instructions requested soonest.²

Bunker

² The Department responded to this cable in telegram 902 to New Delhi, October 5, which reads in part as follows:

"Exhaustive exploration suggestion contained Embtel 623 has revealed no basis on which civilian package deal as proposed therein can be authorized. Requests for assistance in financing individual items would presumably be given careful consideration by US loan agencies. Such requests however would have to come from GOI and accordingly would involve an evaluation by GOI of priorities compared with other GOI requirements for loan assistance. Likewise Department sees no possibility of USG purchasing for dollars any Indian rupees which U.S. firms might accept in payment for their equipment.

"Department concerned that even if entering sales competition of this sort were possible, Indians might well be tempted utilize Soviet offers of other military items at propaganda prices to bring pressure on USG to sell comparable items below cost—a process which might lead to expenditures by USG of unpredictable magnitude." (*Ibid.*, 791.5622/8-1260)

**266. Memorandum of Conversation, Department of State,
Washington, September 26, 1960¹**

SUBJECT

Call by the Indian Minister of Finance on the Under Secretary

PARTICIPANTS

The Under Secretary
Mr. Morarji Desai, Minister of Finance, Government of India
Mr. B. K. Nehru, Commissioner General for Economic Affairs, India
Mr. L. K. Jha, Secretary, Ministry of Finance, Government of India
E—Mr. Edwin M. Martin, Assistant Secretary for Economic Affairs
SOA—J. Wesley Adams

The conversation opened with references to the American election campaign and to the United Nations session in New York. Regarding the latter, Mr. Dillon commented that the Indians could be helpful in blunting the attack of the Soviets on the United Nations. He remarked on the difficulty of negotiating with a country which advanced preposterous positions.

Difficulties with "tied" and "project" loans

Asked by Mr. Dillon how India's economy was progressing, Mr. Desai remarked that the Government of India was having difficulty both with tied loans and with the restriction of too many loans to "project type" assistance. The latter, he said, was making it difficult to finance commodity imports essential to India's development. Mr. Dillon replied that he was aware of these difficulties, but noted that quite a number of Development Loan Fund loans, such as those for steel, had been made for what, in effect, were program imports. Mr. Jha inquired if the DLF might view favorably a program of non-ferrous metal imports. Mr. Dillon said that he saw no reason why an application regarding non-ferrous metals should not be treated in the same category as steel. Asked if the same reasoning would apply to fertilizers, Mr. Dillon replied in the negative, stating that the DLF wanted something concrete to show for its money.

Remarking that it was as yet impossible to tell what the final results might be, Mr. Dillon mentioned that the administration had under consideration, for presentation to the next session of the

¹ Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Official Use Only. Drafted by Adams on September 29. Assistant Secretary Jones briefed Dillon for this meeting in a memorandum of September 26. (*Ibid.*, Central Files, 033.9111/9-2660) Desai was in Washington to attend the annual meetings of the IBRD and the IMF.

Congress, a complete re-writing of the Mutual Security legislation. Consideration was being given to including in this new draft provisions both for long-term loan commitments and program, or balance of payments, assistance.

U.S. Aid to Second Plan

Mr. Dillon referred to the recent Consortium meeting on India in Paris, observing that its results must not have been particularly gratifying to India. Regarding India's needs for the last year of the Second Plan, Mr. Dillon thought that the United States could be helpful both through some additional PL-480 sales of cotton and through quick disbursements under two loans now under consideration by the DLF.

Mr. Nehru inquired if the DLF loans, when approved, would be retrospective, pointing out that only in this way would they help India's balance of payments for FY 1960-61. Mr. Dillon said that while the DLF in general did not like the idea of retrospective loans, some accommodation to the Indians on this score might be effected.

U.S. Aid to Third Plan

As for the Third Plan, Mr. Dillon noted that much of U.S. assistance to India, outside of PL-480, would probably have to come from the DLF. He noted that the DLF appropriation of \$550 million for the current year was being more rapidly committed than in previous years, and said that the administration hoped to seek an additional \$150 million from the Congress in January. He also remarked that, in his view, whichever party won the forthcoming election would be sympathetic to continuing aid to India.

Need for greater aid by Europeans

In response to an inquiry from Mr. Desai as to whether he thought other countries had provided their share of assistance to the underdeveloped countries, Mr. Dillon replied in the negative. He thought that Germany in particular had not done what it could. Mr. Desai said that he thought the Austrians, Swiss, Dutch, and Scandinavians also could do more than they are doing. Mr. Nehru added the Australians, stating that they were contributing only small amounts each year to the Colombo Plan. They could be helpful to India, he added, by dropping their insistence on a high figure of usual marketings for wheat in India's PL-480 agreements. Regarding the Germans, Mr. Dillon remarked that Chancellor Adenauer had taken a position that he cannot adopt any measures prior to the elections next year which would raise taxes. Mr. Etzel,² he said, took the view that any additional aid must

² Franz Etzel, Vice President of the High Authority of the European Coal and Steel Community.

be financed by a reduction in other expenditures. Mr. Erhard³ was more sympathetic to a larger aid program by Germany. Mr. Desai said he thought that some of the difficulty grew out of the personality clash between Erhard and Etzel.

Mr. Dillon referred to the recent session at Bogota⁴ where a strong feeling was manifest among the Latin American representatives that the Europeans should be more helpful. A similar feeling, he remarked, had been directed against the United States in previous years but had shifted to the Europeans on this occasion because of our new aid proposals.

Cooley loans

Mr. Desai remarked that the GOI was experiencing some difficulty with Cooley money, in that it was believed to contribute to inflationary pressures within the country. In actual fact, there was plenty of rupee capital available—such that the Cooley funds were not really required. By way of illustration, he said that the recent stock issue of the new Firestone synthetic rubber enterprise, in the amount of 1.6 crores, had been over-subscribed nearly sixty times. Secretary Jha added that the real difficulty was the lack of foreign exchange and that if this were available in sufficient quantity the nonemployed rupee capital could be put to work in new ventures requiring both foreign and local currencies.

Lockheed proposal

With regard to foreign investment in India, Mr. Dillon mentioned the Lockheed Aircraft proposal, stating that it looked like a good project. United States loan agencies, he added, would give serious consideration to any request to assist in the financing. Mr. Desai remarked that there seemed to be some duplication between the proposed Lockheed aircraft and the Avro 748, which was being produced for the Defense Ministry. Mr. Jha added that a recent study has shown that the Avro 748 was nearly as good as the Lockheed aircraft for civilian uses. Also, he said, the Lockheed project would require the expenditure of substantial foreign exchange. Mr. Dillon observed that while this might be true, it also seemed probable that the Lockheed venture would be a foreign exchange earner through the subsequent export of aircraft. When Mr. Desai expressed some doubt on this score, Mr. Dillon commented, to the amusement of his guests, that this might

³ Ludwig Erhard, Minister of Finance of the Federal Republic of Germany.

⁴ Reference is to the meeting of the Organization of American States at Bogotá, September 5–13.

be a case where India could undertake credit financing in promotion of its exports.⁵

⁵ On September 30, Desai paid a brief courtesy call on Herter. A memorandum of that conversation, drafted by Cuomo, is in Department of State, Central Files, 891.10/9-3060.

267. Memorandum of a Conference With the President, New York, September 26, 1960, 3 p.m.¹

OTHERS PRESENT

Prime Minister Nehru
 Foreign Secretary Dutt
 Secretary Herter
 Assistant Secretary Jones
 Colonel Eisenhower

After amenities, the President expressed gratification that Prime Minister Nehru had been able to make this trip to represent India in the UN. The President said that calm voices are needed at this time. He himself had been astonished by the virulence of Khrushchev's attack on Hammarskjöld and his attack on the UN itself.² This the President considered somewhat "outside the pale." Mr. Nehru said that everyone had been astonished at the virulence of this attack. From the structure of the speech, it appeared that this portion had been added on to a previously prepared text.

The President said that the destruction of the UN would be a terrible disaster for the world, particularly for the small nations. In 1945 he himself had been opposed to locating the UN building in New York City, but every other location had appeared to possess disadvantages. Geneva held the associations with the unsuccessful League of Nations. Stockholm had apparently also been considered. The Presi-

¹ Source: Eisenhower Library, Whitman File, DDE Diaries. Secret. Drafted by John S.D. Eisenhower. The source text indicates that the conversation took place at the Waldorf-Astoria Hotel. Nehru was in New York for the 15th Session of the U.N. General Assembly, which opened on September 19. Eisenhower was briefed for this meeting with Nehru in a memorandum of September 25 from Acting Secretary Dillon. (*Ibid.*) A slightly different memorandum of this conversation, drafted by G. Lewis Jones, is in Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Additional briefing material is *ibid.*, Central File 033.9111.

² Reference is to Khrushchev's speech before the U.N. General Assembly on September 22. Dag Hammarskjöld was Secretary-General of the United Nations.

dent was not aware of anyone who really wanted it here in New York. Mr. Nehru mentioned that San Francisco had also been considered as a possible location.

The President said he had been considering a proposal to move the UN building to West Berlin. This idea had found no enthusiasm in the State Department, and he had not pushed it. He mentioned that Luxembourg might be a good location.

The President then turned to the situation in the Congo. He said that the news reverses itself every day. Mr. Nehru agreed that it is extremely difficult to obtain accurate news. The President said that Mr. Lumumba³ has been extremely difficult. For a while it appeared that Lumumba and Kasavubu⁴ were spending their time firing each other.

The President expressed mild surprise at Mr. Herter's statement that Lumumba and Kasavubu seemed to be making an effort to get together. He conceded that Lumumba is a highly intelligent man and Mr. Herter said that he is also highly unpredictable.

Mr. Nehru described the situation in the Congo as a tough one. He emphasized the part which Belgium played in creating chaos and said that Belgium left the country in ruins.

The President then mentioned the conversation which he had had with President Olympio of Togo. Togo is a small country of 1.2 million people but is making an effort to solve its problems and is now entering into an economic union with Dahomey. The President described Olympio as a sensible man and said he had made a good impression on him. In contrast to Nkrumah,⁵ whom the President described as glib and facile, Olympio appears to think before he talks.

The President then expressed his pleasure at the recent agreement on Indus Waters reached between Mr. Nehru and President Ayub of Pakistan.⁶ Mr. Nehru agreed that it was an important step and said he had spent five days in Pakistan en route to New York. (Mr. Nehru appeared greatly fatigued during this entire conversation.) The President asked whether Ayub had been successful in moving his government from Karachi to Rawalpindi. Mr. Nehru said that he had, although the move was far from complete. Fortunately for Ayub, in matters such as this, he is able to move in a military manner. Ayub had found a location in the north of Pakistan which possessed a cooler climate, and which he considered desirable for the nation's capital. Having found this location near the small village of Rawalpindi, he made a decision and began the move within 48 hours. Most of his government, however, is still located in Karachi. Mr. Nehru empha-

³ Patrice Lumumba, Prime Minister of the Congo.

⁴ Joseph Kasavubu, President of the Congo.

⁵ Kwame Nkrumah, President of Ghana.

⁶ India and Pakistan concluded an agreement on September 19 regarding division of the waters of the Indus Rivers; see Document 97.

sized the military nature of this type of action and admitted that he himself would have extreme difficulties in taking such decisive action. He admitted that Rawalpindi is located in an attractive place. The President said that Ayub had told him of his plans to make the move gradually so as to avoid breaking the country economically. In a humorous vein, he mentioned the odors he encountered between the airport and the city of Karachi last December.

The President expressed sympathy for the death of Mr. Nehru's son-in-law and asked whether this had been unexpected. Mr. Nehru said that it had not been expected. Mr. Gandhi had suffered a heart attack a couple of years back but had been in Parliament the day before he died.

The President asked the Prime Minister if he held any convictions as to the direction in which the world situation is going. Mr. Nehru replied that he did not. He had come to New York because he had considered this UN meeting highly important. He had been urged by many governmental leaders from other countries. Upon arrival the day before, he had found the situation in the UN worse than he had expected. He emphasized that the breakup of the UN would represent a catastrophe for all since the UN is the world's only hope.

The President said he thought that his own speech of September 22nd had been conciliatory in nature.⁷ Even Khrushchev had admitted as much. The President wondered what would have been the reaction if he had made a tough speech. Mr. Nehru said he had not seen Khrushchev since his arrival here. He holds the hope that Khrushchev will calm down.

The President said that the African presentations to the UN have been good, with the exception of that of Ghana. He said that Hammarskjold had presented excellent defense of his stewardship as Secretary General in the course of a 10-minute speech. Mr. Nehru said he had been at the UN and had heard this speech, and that it was done cleverly. The talk had presented an indirect defense while emphasizing that the issue of the position of the Secretary General should not be brought up at this time. Mr. Nehru agreed with Mr. Hammarskjold in this matter.

The President expressed disappointment in Khrushchev's speech to the UN, saying he found nothing constructive therein which would offer any negotiating opportunity. Frankly, he had not expected the speech to be so bad. Apparently Khrushchev desires to find how many new nations he can get committed to himself. Since he seems to have no other purpose, the situation looks bleak.

⁷ For text of Eisenhower's speech before the U.N. General Assembly, see Department of State *Bulletin*, October 10, 1960, p. 551.

Mr. Nehru asked the President's opinion as to the matters the General Assembly should consider. The President said the central problem is that of disarmament. Corollaries would include cessation of nuclear testing and cessation of nuclear production. He is willing to discuss any measures leading toward disarmament so long as their provisions are truly reciprocal. He placed disarmament as the overriding issue and said that the overhauling of the UN is beside the point. Mr. Nehru said the Indians regard the two issues as disarmament and Africa, to which the President quickly and emphatically agreed.

Mr. Nehru went on to describe the African problem as tremendous.

Any UN reorganization which would substitute a three-man committee for the office of Secretary General he regards as impractical. He is in some doubt as to how to approach the problem but feels that some, perhaps three, Assistant Secretaries General with deputies might be provided to Hammarskjold. He pointed out that this would not be a new innovation since we once had such positions, although they since have been abolished. Mr. Nehru said Hammarskjold has been criticized for not reinstating these offices, something he could do without additional legal authority from the UN. Mr. Herter said the situation is somewhat different from what it was when these offices were active, since the independent agencies of the UN had now grown so tremendously. Mr. Nehru pointed out that the independent agencies have no power to assist in the Congo.

The President said that what we need is a consortium of nations within Africa which could reduce the danger of an arms race in that continent. This consortium could operate under the UN, which would guarantee their national security. Such an arrangement would keep the big powers from competing for the favors of each individual country. The President stressed that the big powers must be kept out of Africa. Mr. Herter mentioned that an Indian, Mr. Dayal,⁸ has taken Bunche's place as the UN authority on the spot in the Congo. He said Mr. Dayal has been highly effective in this position.

In response to Mr. Nehru's question, the President described his proposed consortium as a body resembling the Organization of American States. The OAS serves to minimize difficulties among its members and is helping in limiting demands for arms throughout Latin America. The demand for arms has lessened greatly within the last eight years, which is, of course, a favorable development. The purpose would be to ease the arms burden and to ease tensions among States. Nigeria would appear to be a possible leader in establishing such a consortium, since that country shows signs of maturity and is the

⁸ Rajeshwar Dayal was recently named Special Representative of the U.N. Secretary-General in the Congo; Ralph Bunche had previously served in that position.

largest of the black African States. The President mentioned the benefits which have accrued to Europe through the Coal and Steel Community, EURATOM, and the Common Market. With a background of disunity, such as the European nations have sustained for centuries, this fact should give us hope. Mr. Nehru agreed the responsibility must be placed on the Africans themselves. The Africans, with their experiences with colonialism, fear the outside powers. The only difficulty is that the Africans may not agree among themselves as to what to do.

The President mentioned the competition among African Chiefs of State for positions of leadership. He mentioned the ambitions of Toure,⁹ Nkrumah and Tubman.¹⁰ Mr. Herter said Tubman is now visiting in Zurich, in poor health. The President commented on Tubman's tremendous consumption of cigars and whiskey.

The President then said that Khrushchev's attack on the UN has brought about a situation more uncertain than at any other time during the eight years he has been in office. It is a very bad development. He mentioned the capability of the Reds to harass Berlin without violating the letter of the Potsdam Agreements. Mr. Herter said that military obligations are being maintained but that the rights of civilians are being infringed upon, at least those unwritten rights which the Soviets have accepted for these years, despite the fact that they were not spelled out in the 1949 Treaty.¹¹ At least Khrushchev said recently there would be no separate peace treaty between East Germany and the Soviets until a further summit meeting some months away.

In response to Mr. Herter's question, Mr. Nehru expressed the view that the ChiComs are exercising very little influence over Khrushchev. The speech which Khrushchev made in Bucharest was extremely harsh on the ChiComs. At this moment the USSR and the Red Chinese are holding private and secret meetings in Moscow but are not getting along. Khrushchev, by nature, is an extrovert. What he feels comes out. He is an able man and no fool but what he thinks come right out in the open. The President said he should think that Khrushchev would be concerned that the ChiComs not become too powerful; in particular, he should be loathe to allow the ChiComs to develop a missile capability. Mr. Nehru agreed that they would feel this way in the long run, but said there is no immediate danger of the ChiComs becoming too powerful. He mentioned Khrushchev's fears of the vast population of the ChiComs.

⁹ Sekou Touré, Prime Minister of Guinea.

¹⁰ William V.S. Tubman, President of Liberia.

¹¹ Reference is to the final communiqué of the Paris meeting of the Council of Foreign Ministers, June 20, 1949.

To a question by the President, Mr. Nehru said that no progress is being made on the border disputes with the ChiComs. Negotiations have broken down temporarily since both sides are disagreeing so strongly as to the basic facts. India has sent officials to Peking and Peking has sent officials to Delhi in an effort to ascertain the true facts. Conversations are continuing, and just before Mr. Nehru left, both sets of officials had asked for more time. The difficulty is that the ChiComs will not say exactly where they think the border should run. It is difficult country and the physical marking is difficult, but the Indians themselves have delineated their version of the border. India is willing to discuss minor deviation from that border, but will not tolerate ChiCom claims of an additional 10,000 square miles. To a question by the President, Mr. Nehru affirmed that the Red Chinese claims would place Red China on the edge of the plains of India in the northeast section. Here the ChiComs' claims are enormous. India border garrisons actually are located deep into the mountains overlooking Tibet. As the result, the ChiComs are better able to support their garrisons logistically than are the Indians. The other area in dispute is located in east Kashmir. This is arid, fascinating, and frightening country, where the ChiComs have claimed and occupied an uninhabited region. The ChiComs are still a long ways from the Indian plains on that particular side.

Regarding the President's question on roads, Mr. Nehru says that the ChiComs have a good road net along the Tibetan border. The Indians have many roads on their side of the mountainous area also. In the mountains themselves, constructing roads is a difficult task.

The President remarked on the uncompromising nature of all Communists in any negotiating process. The only instance which he recalls in which the Communists gave ground in negotiating was in that of Austrian independence. Here Mr. Herter said that the Communists had negotiated a separate side deal with the Austrians even in this case. In response to a question, Mr. Herter said that oil deliveries from Austria to the USSR are currently being much reduced, and Mr. Nehru agreed. The President said that this shipping of oil to Russia is in itself a violation of our agreements with the Soviets, since the Soviets, in effect, refused to treat Austria as a liberated country.

The President asked Mr. Nehru about his prospective schedule. Mr. Nehru replied that it is indefinite. The President said his own initial plans had called for an address to the UN much later, perhaps in December. When he learned of Khrushchev's plans, he himself had decided to present his overall program early in the session. In his address he had proposed very little new, but had attempted to place the UN objectives in perspective. The only alternative to speaking

early would have been to await Mr. Khrushchev's attack and then offer a weak reply. He thinks on the whole his decision was a wise one.

The President mentioned that he himself had written that part of the speech which stressed the importance of the UN. He would expect the small nations to watch very closely any attempt to scuttle the UN, since without that body we will live in chaos. Mr. Herter said that the Soviets' disarmament proposal is the same as their position in Geneva except for the inclusion of some neutrals in the negotiating group.

The President said the fundamental problem facing us all is the fact of the closed society in the USSR. This fact frightens the world and concerns the U.S. If the Soviets possessed an open society, they would have no objection to the concept of mutual inspection.

Mr. Nehru said he hoped that discussions in the UN would become more constructive than they have been thus far. The President said he has always thought that if we could manage to make one solid reciprocal and forceful agreement which would be of a sufficiently limited nature to be realistic, this would be a great step forward. Negotiations on nuclear testing he had thought were going well at first. A scientific group had reached some agreement on the matter of threshold. The politicians, however, would not accept the agreement of the scientific group. Now we are acting to work out on a joint basis a scientific program to ascertain truly realistic means of detection. In this also we are expecting great difficulty. Negotiations are starting again in Geneva next week.

Regarding Khrushchev's schedule, the President says nobody knows how long Khrushchev will stay in New York. Probably he will remain as long as he can make trouble.

Turning back to disarmament, the President repeated that in his speech he had said we could go along with any reciprocal verifiable disarmament proposal although some people had asked why we deal with Russia without including Red China. Mr. Nehru said that no disarmament proposal would be satisfactory which excluded Red China.

The President then took issue with those who placed their whole faith in the mutual deterrence of vast nuclear power. At the very least, this concept will impoverish those nations who could otherwise be aided by the resources devoted by the big powers to armaments. There is no question but what the Russian people would welcome disarmament. Only the dictatorship itself cannot tolerate it. Mr. Nehru said he thought even the Soviet government does not want war.

Recognizing the President's comment on the inadmissibility of inspections to a secret society, Mr. Nehru said the Russians have already agreed to the concept of inspection in principle. The point at issue now is the number of inspections which might be conducted. Mr.

Herter said that the Soviets refuse to admit the relationship of inspection frequency to limitations of our instruments. [*armaments?*] Mr. Nehru said again that the principle of inspection has been “broken through.” The President said that, while Khrushchev may have agreed in principle, the matter of frequency of inspections is a serious one indeed. Macmillan’s first proposal had been to allow some 150 inspections per year. Compared to this, Mr. Khrushchev’s proposal for three per year is somewhat ridiculous. Mr. Herter carried the matter further and said that records show there are 100 seismic events every year which could be mistaken for underground atomic shots. We would like to relate the number of inspections somehow or other to the number of events. For example, we could agree that inspections could be conducted for one out of five of these seismic events. The Soviets, however, refuse to relate the number of inspections to the number of seismic events. He added the Soviets have never replied to our proposals on the cessation of nuclear production.

The President then pointed out our offer made recently in the UN by Ambassador Lodge to turn 30,000 KG of fissionable material over to the UN, contingent only on the similar turnover on the part of the Soviets.¹² The UN could use this material for any purpose. One of the purposes, of course, would be to reduce the military stockpiles held by both the U.S. and the Soviets. The President said he would like to give the balance of military power to the UN but realizes that this idea as a practical matter would not work. Therefore, having made these proposals, he is uncertain where to go from here. He added that if Mr. Nehru and his government find it possible to make constructive proposals, then our people will be glad to discuss them at their convenience. The President said we would run into real trouble when we bring up reciprocity of any kind.

Mr. Nehru said there are two elements to any disarmament proposal; one is the actual disarming itself and the other is the matter of control. Obviously the two are part of one and the same and must be taken together. There should be no argument between one versus the other. The President agreed enthusiastically. He said we are willing to disarm, but first must find a way to check on the activities of this disarmament. The Soviets prefer disarmament first and negotiations on how to check later. This approach we think is tricky. Mr. Nehru repeated that disarmament and controls are tied up in one package.

Mr. Nehru said we need a better atmosphere in this session of the UN General Assembly. The continuation of recriminations will delay progress and make work more difficult. The President mentioned that

¹² Reference is to statements made by Lodge in the U.N. Disarmament Commission on August 16, 17, and 18; for text of these statements, see Department of State *Bulletin*, September 5, 1960, pp. 376–382.

Khrushchev had hinted of another summit meeting when the President himself is out of office. In this respect the President feels that Khrushchev misgauges American public opinion. No American President could now go to a summit meeting with Khrushchev without assurances ahead of time that Khrushchev would talk constructively. Khrushchev injured his own cause severely by allowing the Heads of Government to convene in Paris before he let go his blast. Had he simply sent a message from Moscow to the effect that he would not come to Paris, his position would have been stronger. Mr. Nehru said wistfully that the situation is exceedingly complicated.

At this point the President presented his album of photographs taken on his December trip to India and all proceeded to pose for the photographers.

John S. D. Eisenhower

268. Memorandum of a Conversation, New York, October 7, 1960¹

SecDel/MC/122

SUBJECT

UN Matters

PARTICIPANTS

U.S.
The Secretary
Mr. G. Lewis Jones

India
Prime Minister Nehru
Mr. M. A. Vellodi, First Sec., Perm.
Mission of India to UN

Prime Minister Nehru opened by saying that he was returning to India on Sunday.² He had arrived on Sunday³ and thus would have been here exactly two weeks.

The Secretary said that he felt that during these two weeks the presence of the Prime Minister had helped to reduce tensions.

Nehru replied he hoped so but was not sure. In some situations there were tensions between individuals.

¹ Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Confidential. Drafted by Jones.

² October 9.

³ September 25.

The Secretary replied that President Eisenhower had told Nehru that he was willing to talk with anyone at anytime if it would really contribute to the cause of peace.

Nehru replied he was quite certain that the President would not let personal considerations stand in his way if he could be helpful. However, there were times when individuals played such important roles that what they did, or did not do, had political consequences.

The Secretary reiterated that the President was willing to do anything for the cause of peace. Of course, Mr. Khrushchev had said many hard things about the President in Paris and afterwards. These were difficult to swallow.

Nehru smiled, implying that he knew how rough Khrushchev had been upon the President and that he did not approve of Khrushchev's tantrums.

The subject rapidly shifted to India's relations with the Communist world. Nehru said that he was not afraid of the USSR. He did not believe the USSR had any intention of going to war at this time, however blustering they might appear. However, the ChiComs were a different matter. He was not sure what the ChiComs might do given the fact that it has always been a national trait of China to be expansive whenever the Chinese were confident as they seemed to be now. The Chinese now felt that they were propagating the "true" Marxist doctrine, were making economic progress, and were faced with an enormous population growth. Nehru said that when he had mentioned the idea that it might soon be too late he had in mind the Chicoms. The time might not be far off when they, too, had developed sophisticated weapons. At present the Chicoms were dependent on Soviet technical help and thus are subject to some measure of restraint by the USSR. This would not be the case if and when they possess their own sophisticated weapons.

Re the population growth of China the Secretary recalled that when he was in Burma recently there had been much talk of the development of the Burmese upland region. Even if this were developed and populated it could absorb only about 20 million people. Southeast Asia is already overpopulated. Therefore it is rational to suppose that when the Chicoms seek room to expand they must push northward. The USSR must know this and must be worried about it.

Nehru referred to a dispute between the USSR and the Chicoms with regard to Outer Mongolia. He said the Mongolians clearly preferred the USSR. He said it was a little known fact that India has ties and shares traditions with Outer Mongolia. The ruling families there were descended from Indians who took Buddhism to this territory some 1,000 years ago. The name of the present President of Outer Mongolia is actually a sanskrit word. The Mongolians and the Indians recently have exchanged scholars to study old books and records.

Nehru said he was impressed by the fact that in Mongolia about half a million people occupy an area half the size of India. The Vice President of India had been there recently where he gave speeches on Buddhism.

Nehru then mentioned the high cost of supporting one hundred or more Embassies and Consular establishments; the Secretary told of the protests he had received when he attempted to make one Ambassador do for four of the new African countries; each wanted an Ambassador of their own.

Nehru brought up the subject of frontier negotiations with Communist China. He said the Chicoms had made treaties with both Burma and Nepal. He had advised these two countries when they consulted him, to make any treaty they thought in their interest. The Chicoms had shown themselves reasonable "because they want to put pressure on us". Nehru said that when he and Chou en-Lai had met they had been polite to each other but had gotten nowhere: they had agreed that their experts should meet—first in Peking and later in Delhi.⁴ The experts have not reported and have asked for more time. There might be another meeting later in Peking.

The Secretary commented that it was a good thing if India could "keep talking" with the Chicoms.

Nehru said that British policy in India in the Nineteenth Century was based on a fear of czarist Russian expansionism and not on a fear of China. He said Afghanistan was intended to be a buffer state in the mountains to protect India. Nehru said he was prepared to make minor revisions in the frontier with Tibet but nothing on the scale which the Chicoms apparently envisaged.

Re the Chinese, Nehru said that Southeast Asia was full of Chinese, whereas India has only about 10,000, mostly in Calcutta and mostly shoemakers and laundrymen. The Secretary said there were an amazing number of Chinese in Cuba. Nehru said that Ho Chi Minh⁵ had congratulated him on having so few Chinese and had indicated his dislike of them.

The Secretary remarked that the Chicoms appeared to be going through a difficult economic period. Their statistics were so distorted it was hard to know how difficult. Nehru agreed that this could be the case and when questioned about public opinion in India said that this was strong against the Chicoms. The Indian Communist party was split by feelings on this subject, there being "nationalist" Indian Communists and "internationalist" Indian Communists. Nehru said he had

⁴ Chou En-lai, Premier of the People's Republic of China, visited India, April 19-26, 1960.

⁵ President of the Democratic Republic of Vietnam.

been accused in parliament of being an “appeaser”—some had demanded that he go to war with China “as though one could go to war over those mountains”.

Nehru described a trip he had made recently to Ladakh where there was an airfield 14,600 feet high. In an American helicopter flying in the clear air at 14,000 feet he had gone within one mile of the frontier. There was a desperate need for roads and improved communications in the area. India was concentrating on these. Communications were so short that when the Chicoms wanted to go from Peking to Lhasa they traveled via India until very recently.

The Secretary said that he should have said at the outset how much he appreciated Nehru’s invitations to dine with him on two occasions. Unfortunately, he had not been able to accept either time. Nehru implied that this was a matter of no importance and that he understood fully the Secretary’s not being available.

Nehru said, thoughtfully, that he was returning to India a wiser and perhaps a more educated man. The Secretary said again that he felt that tension had been reduced. Everyone wants the same things. The important thing is to make progress.

The Secretary said that he was glad that with our elections in full swing “nothing in the foreign policy field has yet exploded”. An explosion could occur at anytime, however, and one or the other candidate could get “boxed in”.

Nehru remarked that he had seen many elections, both in India and in the United Kingdom, and it was always true that people are “affected badly” during an election. The Secretary wondered whether mankind would ever develop the perfect form of government.

Nehru remarked that the United States has a special problem which is that of its people finding use for their leisure. He said this problem would not confront India for a long time.

The Secretary said that there was a tendency in the United States to use leisure time not for self-improvement but for escape—a tendency to seek easy amusement.

Nehru replied “there are plenty of mountains left to climb”.

The Secretary then told of a number of schools set up by a German friend of his in which his friend provided the “moral equivalent of war” by insisting that the boys assume the responsibility of becoming firemen, mountain rescuers, or sea rescuers. He said he would like to see expanded this concept of providing the young with a challenge.

Nehru said that education is the important thing.

The two men took leave of each other.

269. National Intelligence Estimate¹

NIE 51-60

*Washington, October 25, 1960.***THE OUTLOOK FOR INDIA²****The Problem**

To estimate probable developments in India's internal affairs and international position over the next few years.

Conclusions

1. India has made considerable progress in constructing the foundations of a modern democratic state. The Congress Party governments have carried out extensive political and social reforms while preserving and even strengthening parliamentary institutions. They have focused the aspirations and energies of a growing segment of the Indian people on the drive for economic development, and made steady progress toward developing a modern industrial economy. Nevertheless, India's extreme poverty and the divisive effects of strong regional loyalties and linguistic and caste differences pose major long-term threats to the country's stability and national unity. (Paras. 10-13)

2. Over the next few years the outlook for stable democratic government in India is good. In the 1962 elections the Congress Party is likely to retain its majority in Parliament and control of most, if not all, the state governments. However, the party's effectiveness is gradually being weakened by factionalism, complacency, and corruption, which may reduce its majorities, at least in certain states. (Paras. 16, 22)

3. India's democratic system and national unity will face crucial tests after Nehru leaves the scene. If this happens within the next few years, control of the Congress Party and of the government will probably pass to veteran but more conservative leaders, none of whom enjoys Nehru's commanding prestige. Although the party probably

¹ Source: Department of State, INR-NIE Files. Secret.

According to a note on the cover sheet, the following intelligence organizations participated in the preparation of this estimate: the CIA and the intelligence organizations of the Departments of State, Army, Navy, Air Force, and The Joint Staff. All members of the U.S. Intelligence Board concurred with the estimate on October 25 with the exception of the representatives of the Atomic Energy Commission and the Federal Bureau of Investigation who abstained since the subject was outside their jurisdiction.

² Supersedes NIE 51-56, "India Over the Next Five Years," dated 8 May 1956; NIE 51-57, "Consequences of Economic Crisis in India," dated 8 October 1957; and NIE 51-58, "The Economic and Political Consequences of India's Financial Problems," dated 2 September 1958. [Footnote in the source text. Neither NIE 51-56 nor NIE 51-57 is printed. NIE 51-58 is printed as Document 217.]

would be able to operate on its momentum for several years after his departure, unless strong new leadership emerges, intraparty conflicts probably will lead to an eventual split. If such a split were along liberal versus conservative lines, it would result in the development of two major democratic parties. If the Congress Party broke up on regional issues, political fragmentation would be likely, with a threat to the stability and cohesiveness of the country. (Paras. 25–26)

4. The Communist Party of India (CPI) is likely to provide the principal opposition to the Congress Party during the next few years, and in the 1962 elections probably will maintain its present electoral strength. In contrast to the non-Communist opposition parties of both left and right, the well-organized CPI has experienced leaders, a strong trade union base, and considerable appeal to many poverty-stricken Indians. These advantages are offset by the intense factionalism within the party, by its lack of strength in large areas of the country and among the peasantry, and by India's dispute with Communist China. (Paras. 23–24)

5. India's economic progress has created the base for more rapid advances in the future. The growing dynamism of the Indian business community together with the sharply increased resources allocated to scientific research and education augur well for India's future progress. The Third Five-Year Plan (1961–1966), which calls for the expenditure of \$23.6 billion, aims at an annual gross national product (GNP) growth rate of 5–6 percent, a major step toward India's goal of self-generating economic growth. (Paras. 27–33)

6. The success of the Third Plan almost certainly will depend on India's ability to get large-scale foreign aid. It has already secured about \$2 billion and will probably require an additional \$5–5.5 billion in order to carry out the entire program. While some of this aid will come from the Soviet Bloc, Indian leaders look to the West for most of it. (Paras. 36–40)

7. Even if India is successful in stepping up the pace of economic development, the task of satisfying the rising aspiration of its people will remain formidable. Even if there is a sharp decline in the birth rate, it will be extremely difficult during the next decade or so to provide employment opportunities for the rapidly expanding labor force. While an eventual decline in birth rates is likely, the question whether this decline will occur soon enough and rapidly enough is the great imponderable of India's economic future. (Paras. 45–46)

8. India's basic international policy of nonalignment is almost certain to be maintained during the next few years. The trend toward improved relations with the West probably will continue, aided by need for Western economic support, increased understanding of US foreign policy objectives, and fear of the Chinese Communist threat. Nevertheless, India will continue to value friendly relations with the

USSR because of its need for Soviet economic aid and for Soviet neutrality in its dispute with Communist China. There probably will be a further improvement in relations with Pakistan, and the chances are about even that the Kashmir issue will be settled during the next few years. (Paras. 53–62)

9. The combat effectiveness of India's 456,000 man military establishment is believed to be among the highest in free Asia. India's major military weakness is its heavy dependence on foreign sources of equipment, a dependence which is likely to decline only slowly. India's military attention, once focused largely on Pakistan, is increasingly directed toward Communist China—a trend that is likely to continue. (Paras. 47–52)

[Here follows the "Discussion" section, comprising numbered paragraphs 10–65.]

**270. Memorandum of a Conversation, Department of State,
Washington, November 9, 1960¹**

SUBJECT

Aid to India

PARTICIPANTS

Mr. B. K. Nehru, Commissioner General for Economic Affairs, India
The Under Secretary
ED—Mr. Sidney Schmukler
SOA—J. Wesley Adams

Following a brief exchange of courtesies Mr. Nehru stated that the principal purpose of his visit was to urge the early approval of Indian loan applications currently pending before the Development Loan Fund. Mr. Nehru said he hoped that he had understood Mr. Dillon correctly on a previous occasion to indicate an expectation that India would obtain something between 25 and 40 per cent of DLF money. DLF approvals of Indian applications to date, he said, had totalled somewhat less than these figures. Mr. Dillon replied that this, in fact, had been the intention, for the reason that India appeared further along in its development and perhaps better able to use the money than some other countries and, also, on a population basis, this seemed to be about a fair distribution of DLF money. Mr. Dillon

¹ Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Limited Official Use. Drafted by Adams on November 10.

recalled, however, that his earlier remarks had been made with one caveat, namely, that the approval of Indian loans in this proportion would be subject to unforeseen heavy demands on the DLF resources.

The DLF appropriations, Mr. Dillon explained, had not been as large as the Administration had hoped for, and with reduced funds a few large projects had somewhat disrupted planned programming. Also, the development program recently advanced for Latin America had thrown an unexpectedly heavy demand on the DLF resources since there had yet been no appropriation to finance the Latin American program. The result was that the DLF now had on hand more than \$100 million in prepared loans to Latin America. Mr. Nehru said that he had guessed that this was about the situation, and he appreciated the difficulties; he wished, however, to stress the urgency of the Indian needs.

Mr. Dillon went on to explain that Congress had previously limited the DLF funds on the grounds that there was then no need for more and that supplemental requests could later be submitted, if necessary. The Administration, he said, now contemplated requesting a supplemental appropriation for this fiscal year. He did not know exactly how much would be requested, but thought it would probably exceed the sum of \$150 million, the amount by which the Administration's request for FY 1961 had been reduced. Should such a supplemental be approved, the Indian requests, he said, would be given early consideration. Mr. Dillon also remarked that Mr. Hart Perry, of the DLF, had correctly represented to representatives of the Indian Embassy the current position of pending demands against available funds. It was possible, however, that not all of the loan applications from other countries, which the DLF contemplated approving, would in fact be approved. In that event, also, there might be some extra money for the approval of Indian loans.

Mr. Dillon also commented that the rapid use now being made of the DLF appropriations provided justification for a request of the Congress for larger appropriations in future years. While he could not predict what the next Administration might do, he felt that the DLF type of lending was widely preferred in the Congress to some other types of assistance. It was thus reasonable to suppose that the next Administration would favor an expansion of DLF resources.

Mr. Nehru handed Mr. Dillon a table setting forth the volume of loans for India approved thus far by the DLF.² Mr. Dillon said that these figures corresponded closely with ours, and asked Mr. Nehru if his figures on pending Indian loan applications compared with our figure of about \$100 million. Commenting that the Indian figure was much higher than this, Mr. Nehru handed Mr. Dillon a list of Indian

² Not printed.

projects for which United States aid was being sought. Mr. Dillon noted that the list included a number of Export-Import Bank applications. He asked Mr. Nehru if the Indians attached a priority to any of the current applications before the DLF. It would be helpful to the DLF to have such a priority list, he said, in the event some money became available out of existing funds. Mr. Nehru replied that he was not aware that such priority had been assigned, but said he would see if one could be established.

Relationship between Export-Import Bank and DLF Financing

Mr. Nehru said that it would help his government if there could be some clarification of the respective fields reserved to the Export-Import Bank and the DLF in loan operations. The fact of an ExIm priority in project financing, he said, introduced a difficulty for the GOI. The GOI, he remarked, was sometimes unable to determine which institution it should approach first on loan requests. Mr. Dillon said that this was a problem on which efforts were being made to establish a consistent pattern. The Trombay fertilizer case, he added, was a reflection of these difficulties and of efforts to resolve them.

As between the ExIm Bank and the DLF, Mr. Nehru remarked, the GOI prefers the latter since every loan which it obtains from the ExIm Bank reduces by that amount the GOI's ability to obtain dollar financing from other sources such as the World Bank. He also observed, with respect to the repayment period offered by the ExIm Bank, that he had just succeeded in getting the Germans to agree to extending a 20-year credit and the British a 25-year credit, with appropriate grace periods. Mr. Dillon thought that this was an excellent development, which should be brought to the attention of the ExIm Bank.

PL 480 Cotton

Referring to his government's recent request for 600,000 bales of PL 480 cotton, Mr. Nehru sought Mr. Dillon's personal support for its approval. Cotton prices in India, he said, had been going up, and the stock situation was poor. He understood that the U.S. Government was not favorably disposed toward the application in the belief that the situation was not urgent and that approval could await further developments. Mr. Adams explained that there appeared to be some question as to whether the GOI had yet imported all of its usual marketings for this fiscal year, and that a similar question arose with regard to cotton availabilities under the last PL 480 Agreement. Mr. Nehru remarked that imports on both accounts had been or were being made. Mr. Adams said there was the further consideration whether approval of this additional amount for this year might not bring protests from the East African exporting states. Mr. Nehru said

there was no question of this since the Indians were acquiring their full quota of usual marketings. Mr. Dillon observed that the situation seemed to reduce itself to a question of fact, and said we would ask Ambassador Bunker for his comments.

Sugar Quotas for India

Mr. Nehru said he also wished the State Department's support for his government's request for a U.S. sugar quota of 500,000 tons to provide a market for India's expanding exports. Mr. Dillon explained the workings of the quota system under the Sugar Act³ and said that, while no assurances could be given at this point, it might be possible for India to obtain a small quota should the Act be provisionally extended beyond its current expiration date next March 31. As for long-term possibilities, Mr. Dillon said that it was impossible at this time to predict what the Congress might do in the way of future sugar legislation and even whether it might treat the problem through quotas. Mr. Dillon suggested that the only thing to be done for the moment was for the GOI to present its case formally to the State Department, which would give it full consideration in any recommendations it might make to the Congress. He added that sugar was one field in which the Congress was frequently not guided by Executive recommendations.⁴

³ Reference is to the Sugar Act of 1948, Public Law 388, approved on August 8, 1947. (61 Stat. 922)

⁴ On December 1, the Export-Import Bank authorized a \$50 million credit to the Government of India for the purchase of capital equipment imports from the United States. (Telegram 1425 to New Delhi, December 2; Department of State, Central Files, 891.10/12-160)

271. Memorandum From the Joint Chiefs of Staff to the Secretary of Defense (Gates)¹

JCSM-507-60

Washington, November 15, 1960.

SUBJECT

Sale of Soviet Aircraft to India

1. Recent reports from India indicate that the Soviets will be successful in their efforts to sell MI-4 helicopters and possibly transport aircraft to the Indian Government for use in their Border Road Development Program. Even more significant is the report that an Indian Defense team was sent to the USSR on 15 October 1960, to survey other Soviet equipment and possibly open negotiations for the manufacture in India of MI-4 helicopters under licensing agreement.

2. From a military point of view the Joint Chiefs of Staff consider that the purchase by India of a small number of transports and helicopters from the Soviets would have relatively minor consequences in a narrow, short-term sense. However, the broader and longer range aspects of the purchase or manufacture of Soviet aircraft have much greater significance, for the reasons given in the Appendix hereto.

3. The Joint Chiefs of Staff believe that the most productive way to counter Soviet moves in this area would be to accelerate the expansion and development of the Indian aircraft and related military equipment industries. For example, the current Indian-Lockheed negotiations mentioned in the Appendix could probably be speedily concluded provided the United States assisted in the difficult foreign exchange problem. This assistance would be required in those areas where existing monetary sources such as the Development Loan Fund and Export-Import Bank could not be utilized. Without such assistance Western companies cannot successfully compete with a subsidized Soviet program. While the cost to the United States of guarantees, loans, conversion of soft currencies, etc., would undoubtedly be substantial, the cost of this form of subsidization would probably compare favorably with the cost of grant military aid and would certainly be cheaper and more productive than to counter Soviet offers through sale of U.S. equipment at subsidized discounts.

¹ Source: Washington National Records Center, OASD/ISA Records, Country Files, India. Secret.

4. Accordingly, the Joint Chiefs of Staff recommend that you seek Department of State agreement to early implementation of a program whereby the United States renders financial assistance in accelerating the expansion and development of the Indian aircraft and related military equipment industries.

For the Joint Chiefs of Staff:
L.L. Lemnitzer²
Chairman
Joint Chiefs of Staff

Appendix

SIGNIFICANCE OF INDIAN PURCHASE OR MANUFACTURE OF SOVIET AIRCRAFT³

1. The Indian Armed Forces have heretofore been oriented strongly towards the West, and despite the anti-West proclivity of the Indian Minister of Defense and certain other influential officials, the top military officers, including the three Service Chiefs, have until recently successfully opposed any military relations with the Soviets. Acquisition, or the manufacture under licensing agreement, of Soviet military aircraft would be a defeat for these pro-West officials and would constitute a major reversal of India's traditional policy of procuring military hardware from Western sources, thereby setting a precedent for future purchases and license agreements of greater magnitude.

2. The USSR is well aware of the Western orientation of the Indian Armed Forces. In an effort to instill in the Indian forces a feeling of trust and reliance, it is probable that any equipment furnished by the USSR will be first rate and will be backed up with the best possible service, support and training effort. The passage of time is now causing the British-trained, Western-oriented Indian officers to pass from the scene. Their replacements are not so pro-West and could easily be impressed by good, cheap Soviet equipment. The Soviets could accelerate this process by a careful choice of the military technicians who would be sent to India under the legitimate cover of supplying pilot training, technical training, and establishing aircraft manufacturing facilities under licensing agreement.

3. Much of the military equipment, especially aircraft, now being operated by the Indians is obsolescent by modern standards and will need replacing over the next decade. Once the Soviets establish themselves in the eyes of the Indians as a dependable and economical

² Printed from a copy that bears this typed signature.

³ Secret.

source of aircraft, their opportunity to conclude other deals for military equipment would be enhanced, thereby increasing Indian dependence on the Soviet Union, fostering closer Indian-Soviet technical and military relations, and bringing about a diminution of Western influence in the Indian Armed Forces.

4. The Soviets with a controlled economy are in a position to provide military equipment to India at prices below those of the West either through direct sale or licensing agreement. They have demonstrated their willingness to sell equipment at unrealistic prices when to do so they would obtain a substantial long-range commercial or political advantage. As to the quality of the Soviet equipment thus far offered to the Indians, the MI-4 helicopter has demonstrated its superiority over any Western model tested for use in the border regions of India. The U.S. Kaman would undoubtedly compare favorably but was not tested by the Indians and in any event would have cost 40% more than the MI-4.

5. In view of the Indian determination to strengthen its border development program, the relatively backward state of its over-all economy and its perennial shortage of foreign exchange, it is perfectly natural that the Indian Government should be tempted by arrangements for low-cost purchase or manufacture of military equipment which does not require foreign exchange. The pro-West Indian military leaders are hard-pressed to combat the arguments advanced by the Indian Minister of Defense, i.e., 40% cheaper price, unlimited spares, payment in rupees and possible licensing agreements.

6. According to the recent report of conversation⁴ between Lockheed officials and several Indian Cabinet Ministers, important segments of the Indian Government seem to be particularly interested in encouraging the build-up of indigenous sources of supply for military aircraft, thereby decreasing India's dependence upon any outside source, as well as building up the Indian economy and saving critically short foreign exchange funds. Lockheed's proposal to construct an aircraft plant to manufacture a transport aircraft in India would generate a requirement for approximately \$20 million in foreign exchange funds. The requirement for these funds, plus delaying tactics reportedly employed by the Indian Defense Ministry, have apparently delayed final agreement.

7. Since India refuses to participate in grant military aid, the United States is left with few alternatives to block the sale of Soviet military equipment. Direct subsidization through use of contingency funds could be resorted to, but this could ultimately lead to U.S.

⁴ American Embassy New Delhi Foreign Service Dispatch to Department of State, No. 182, dated 23 August 1960. [Footnote in the source text. Dispatch 182 from New Delhi is in Department of State, Central Files, 891.3333/8-2360.]

expenditures of unpredictable magnitude. Moreover, under such a program, the United States would remain on the defensive, reacting to Soviet initiative. A broad program which gives promise of a permanent "cure" is therefore indicated.

272. Letter From the Deputy Secretary of Defense (Douglas) to the Under Secretary of State (Dillon)¹

Washington, December 19, 1960.

DEAR DOUGLAS: As I indicated in my letter of December 3, 1960 to Livie Merchant,² the Department of Defense believes it both desirable and feasible to assist the Government of India to meet its requirements for helicopters. We are accordingly prepared to absorb through MAP the costs involved in providing approximately eight helicopters to India on terms which will compare favorably with the Soviet offer to furnish their MI-4 helicopter.

The total cost of eight helicopters of a type likely to suit Indian requirements including spare parts for one year, ground support equipment, transportation to India and training support is estimated to be approximately \$3.35 million. We feel that under the circumstances the cost to India should be about \$1.6 million or \$200,000 per helicopter. In order to arrange the sale of these helicopters under an appropriate agreement, a Presidential Determination under Section 451 of the Mutual Security Act of 1954, as amended, in the amount of \$3.35 million would be required to authorize this assistance. Further I believe that the Government of India should be offered a ten year credit, repayable in rupees, to finance the purchase.

If you concur in the foregoing, a message should be dispatched to Ambassador Bunker instructing him to determine if the Government of India is interested in obtaining eight U.S. helicopters suitable to its needs in its Northern Border Development Program and authorizing him, if the Government of India is interested, to offer eight helicopters

¹ Source: Department of State, Central Files, 791.5622/12-1960. Secret.

² In this letter, James Douglas stated that he agreed with the Joint Chiefs of Staff on the subject of India's possible procurement of Soviet aircraft, and transmitted the views of the Joint Chiefs on the subject (see JCSM-509-60, *supra*). "I find that the Department of Defense can," he wrote, "out of Air Force procurement, meet India's urgent need for high-performance helicopters, and I urge, therefore, that immediate attention be given to the problem of financing their early delivery." (Washington National Records Center, OASD/ISA Records, Country Files, India)

with one year's spare parts and ground support equipment, delivered in India, and necessary training support at a unit cost of \$200,000 to be financed on a ten year credit basis repayable in rupees.

If the Government of India responds affirmatively to the proposal outlined above, the Department of State would then have to obtain the required Presidential Determination, and we would then proceed to conclude the contract with the Indians.

Would you please let me know as soon as possible your reaction to the foregoing.³

Sincerely,

Jim Douglas

³ The Department of State did not respond to this letter until March 23, 1961, when the new Under Secretary of State, Chester Bowles, sent a letter to Deputy Secretary of Defense Roswell L. Gilpatric in which he explained that the Department of State believed it would be appropriate, in the absence of any demonstrable urgency to provide helicopters to India, to defer action until the broader problems of military aid had been reviewed. A copy of Bowles' letter was attached to the source text.

NEPAL

U.S. POLITICAL AND ECONOMIC RELATIONS WITH NEPAL; U.S. CONCERN WITH SOVIET ASSISTANCE PROGRAMS IN NEPAL; VISITS OF KING MAHENDRA AND PRIME MINISTER KOIRALA TO THE UNITED STATES¹

273. Telegram From the Embassy in India to the Department of State²

New Delhi, June 5, 1958—5 p.m.

3121. Reference: Embtel 3060.³ Following are highlights my half-hour talk with Nepal King June 3 during his three-day visit Delhi en route Moscow:

US aid—King repeated statement made to me my last visit Nepal in April that he felt there were too many American technicians in Nepal and expressed hope Nepalese could be trained rapidly to take positions of leadership in development country. He appeared mollified when I assured this our objective also and we attempting keep technicians to minimum number commensurate with need provide adequate training of Nepalese, sound implementation of development projects, and ability Nepal to absorb aid at rate which would demonstrate definite progress. King again expressed satisfaction with type, scope and progress of our aid. I reminded him that as soon as all pending agreements signed total of projects agreed to this year would amount to some \$13 million.

Soviet aid—King stated he well aware of possibility of substantial offer of Soviet aid. However, he wished inform me that he was not influenced by aid received from any country and that he well aware as

¹ For previous documentation on U.S. relations with Nepal, see *Foreign Relations, 1955–1957*, volume VIII.

² Source: Department of State, Central Files, 790.C11/6–558. Confidential. Repeated to Kathmandu. Ambassador Bunker, resident in New Delhi, was also accredited as Ambassador to Nepal.

³ In telegram 3060, May 28, the Embassy reported that King Mahendra was leaving Kathmandu on June 2 for an extended foreign tour of the Soviet Union and Europe. It noted that, as a result of his trip, some rapprochement with the Soviet Union was likely, especially in the field of economic assistance. (*Ibid.*, 790C.11/5–2858)

King that he represented a system far different from that sponsored by USSR. At same time it was incumbent on him to develop his country and he could not reject aid offered on terms he considered satisfactory.

Internal affairs—Commenting on internal Nepalese developments, King mentioned

(1) He expected continued difficulties from K.I. Singh⁴ who spending large sums of money origin of which a mystery unless they were funds brought with him from China;

(2) New Council of Ministers should help stabilize the political situation. He considered Subarna sound and competent chairman;

(3) Advisor Assembly would not function until his return late in August;

(4) Elections would be held on schedule.⁵

Bunker

⁴ Prime Minister of Nepal, July–November 1957.

⁵ King Mahendra visited the Soviet Union June 4–26. A joint communiqué, issued at the conclusion of the visit, referred to continuing discussions of possible Soviet aid to Nepal and an invitation to Kliment Yefremovich Voroshilov, Chairman of the Presidium, Supreme Soviet, to visit Nepal. Documentation on the King's visit is in Department of State, SOA Files: Lot 63 D 306, Visit by the King of Nepal to the USSR.

274. Telegram From the Department of State to the Embassy in India¹

Washington, October 17, 1958—6:57 p.m.

924. In long conversation with Redel, formerly attached USOM Kathmandu and with Department representative, Nara Pratap Thapa, who briefly in Washington re purchase Nepalese Embassy, made almost impassioned plea for increased American aid.² Thapa stated his sole objectives were: (1) build up position and power of King who alone could hold Nepal together and maintain that country's sovereignty [1 line of source text not declassified]. Under first objective Thapa urged (a) budgetary support, alleging Indian rupees would be quite satisfactory (b) "discreet" help in training police and possibly even military in US service schools and (c) provision of helicopters for

¹ Source: Department of State, Central Files, 790C.5–MSP/10–1758. Confidential. Drafted by Bartlett and approved by Rountree. Repeated to Kathmandu for the U.S. Operations Mission.

² Nara Pratap Thapa was Secretary of Foreign Affairs. A memorandum of Thapa's conversation with Bartlett, which took place in Washington on October 15, is *ibid.*, 790C.00/10–1558.

northern frontier patrol purposes and contacts with district administrators. (During King's recent visit to Soviet Union Thapa alleges Khrushchev personally offered King 35 helicopters, i.e. one for each district. [*less than 1 line of source text not declassified*] Thapa sought: (a) aid for Royal Nepalese Airlines (b) ropeway extending north from British-built Gurkha camp (c) million plus dollars in foreign exchange to enable GOI complete Trisuli hydro-electric project and (d) east-west road in Terai.

Thapa said he understood perfectly US desire not undertake any projects which might embarrass US-India relations. Nepal itself could and should undertake "clear" with GOI Nepalese approach to US for specific project assistance. Indeed Thapa had already done this personally with Nehru. Latter, after explaining GOI in no position help RNA, even encouraged Thapa turn to USG for help. Thapa concluded by stating both he and Foreign Minister Shah were under instruction discuss Nepal's critical position with highest available US authorities. Shah carries letter to this effect from Chairman Council of Ministers.

In view above, Rountree and others on US delegation to Colombo Plan meeting in Seattle³ will use opportunity discuss situation more thoroughly with both Shah and Thapa and would prefer deferring substantive reply Deptel 823⁴ until after Seattle talks. Meanwhile and prior to talks Department would appreciate Embassy's assessment Shah's and Thapa's position vis-à-vis King and anticipated GOI's reaction to expanded US aid along lines set forth Deptel 823 and by Thapa.

Herter

³ The annual ministerial meeting of the Colombo Plan was scheduled to be held in Seattle, November 10–13.

⁴ Telegram 823 to New Delhi, October 7, reads in part as follows: "Growing impression among foreign observers Kathmandu that fact of Soviet aid to GON must be accepted as logical outgrowth of King's June visit to Moscow. However, belief also exists that GON undecided as yet on nature of projects, type of aid it wants or acceptance of Soviet technicians. Indian Embassy Kathmandu in particular, feels GON can still be influenced on these points." (Department of State, Central Files, 861.0090C/10–758)

275. **Memorandum of a Conversation, Seattle, November 10, 1958, 5:45 p.m.**¹

PARTICIPANTS

United States
The Secretary
Mr. Dillon
Mr. Bartlett

Nepal
Shri Sahebju Parandra Bikram Shah,
Foreign Minister, Government of
Nepal
Nara Pratap Thapa, Foreign Secretary,
Government of Nepal

SUBJECT

Nepal's Economic Situation

This meeting was arranged at the request of Mr. Shah, who transmitted to the Secretary the attached letter of introduction, dated September 8, 1958, from Mr. Subarna Shamaher, J.B.R., Chairman, Council of Ministers.²

Mr. Shah initiated the discussion by expressing the gratitude of the Nepalese Government for the assistance which the United States had been extending to Nepal. The Secretary replied that he hoped the United States and Nepal would get even better acquainted with each other in the years to come.

The Nepalese Foreign Minister indicated that the single greatest problem facing Nepal was that of balancing its budget. Toward this end, [1½ lines of source text not declassified]. He expressed the hope that the US would be willing to help Nepal with its fiscal problems.

The Secretary agreed that it would be wise for Nepal not to become too dependent economically upon the USSR. He cited as an example of countries which had become disillusioned with Soviet economic assistance, both Yugoslavia and Finland. In the case of the latter, the USSR, because it had not approved of the government which the Finnish people had elected, had attempted to apply pressure upon Finland by cutting down on trade between the two countries. However, in some cases and if the amounts were not too large, some countries might be able to accept Soviet offers without too great harm.

The Secretary reverted to Mr. Shah's request for budgetary assistance stating that although he did not wish to discourage the Nepalese representatives, the latter should note that the United States itself was faced with a current budgetary deficit of \$12 billion.

¹ Source: Department of State, Conference Files: Lot 63 D 123, CF 1145. Confidential. Drafted by Bartlett. The source text indicates this conversation took place at the Olympic Hotel.

² Not printed.

The Secretary continued that the United States Government, however, was anxious to be helpful wherever appropriate and within its resources, noting that Nepal was a country with a great tradition and, he trusted, a hopeful future. In view of the close relations between Nepal and India, the Secretary wondered whether the latter country might not be in a position to contribute towards the solution of Nepal's fiscal problems. Mr. Shah replied that Nepal had indeed received some help from India "under the Colombo Plan", but that it had not been enough. He remarked that India itself had received a great deal of aid from the United States without which her economy would have been crippled long before now. He suggested that just as the United States had thus saved India from economic disaster, so should the United States help to save Nepal.

The Secretary said that he would be interested in knowing in more concrete terms just what the Government of Nepal might have in mind. Mr. Shah replied "cash aid". It was just such aid, the Secretary replied, that was the hardest for the United States to handle since the United States Government did not have institutions designed to furnish this type of assistance, nor for that matter, were there international institutions equipped to handle such aid. The IBRD, the Secretary noted as an example, was concerned with strictly development projects, the Export-Import Bank was intended to finance trade in certain capital goods and raw materials, and the Development Loan Fund was designed to assist in basic projects looking toward development. At this point, Mr. Shah noted that the IBRD could be discounted as far as Nepal was concerned since Nepal was not a member of the Bank.

The Secretary inquired whether there wasn't a hydroelectric project in which the Nepalese Government was interested. This was so, the Foreign Minister said. It was a project which India had started, but had not been able to finish. India's shortage of foreign exchange was preventing it from getting the necessary machinery and other materials from Europe. If this were the case, Mr. Dillon inquired whether it might not be a project which would be appropriate for submission to the DLF. The Secretary suggested that in any event, it would be wise to put something in writing regarding it, so that it could be studied in more detailed terms. Mr. Dillon agreed with the Secretary and suggested to Mr. Shah that perhaps the best procedure to follow would be for the Nepalese Government to take up in detail this project and its general fiscal problems with the American Embassy in New Delhi and the United States Operations Mission in Kathmandu. The Secretary told Mr. Shah that we would ask these missions of the United States to get in touch with the Nepalese Government.

The Secretary stated that he had to reiterate, however, that it was difficult for us to handle strictly "budgetary aid". There had been very few cases in the past where we had been able to do so and then, as in that of Jordan, it was only in order to relieve an acute international crisis. It was better, the Secretary continued, to think in terms of development projects. The Foreign Minister appreciated the Secretary's remarks and stated that the Nepalese Government would try to approach this problem along project lines.

The Secretary asked what had caused Nepal's present fiscal deficit. Was it the difficulty of collecting or of increasing taxes? Mr. Thapa replied it was indeed this difficulty and it was one which faced, in his opinion, all primitive agricultural communities. He also noted that another problem was the lack of Indian rupees. Most of Nepal's imports, Mr. Thapa explained, came from India and to pay for these, Nepal needed Indian rupees which it did not have in sufficient amounts. This in turn had caused a depreciation of the Nepalese rupee in relation to the Indian rupee.

The Secretary asked Mr. Dillon whether the United States Government, under these circumstances, might not be able to use some of its Indian counterpart rupees. Mr. Dillon replied that it might be possible, but that the entire problem could be best studied "on the spot" in New Delhi since it involved to some extent the Government of India.³

³ The Department of State summarized this conversation in telegram 1178 to New Delhi, November 19. "Embassy should consider this telegram," the cable reads in part, "as instruction to explore with GON possible solutions to Nepalese problems raised by Shah and Thapa." (Department of State, Central Files, 890C.10/11-1958)

276. Telegram From the Embassy in India to the Department of State¹

New Delhi, January 9, 1959—8 p.m.

1550. Reference: Deptel 1566,² Kathmandu 12 repeated information Calcutta 355. Embassy has not received text *New York Times* report but summary outlined reftel essentially accurate as far as it goes.

¹ Source: Department of State, Central Files, 861.0090C/1-959. Confidential. Repeated to Calcutta and Kathmandu.

² Telegram 1566 to New Delhi, January 6, reads as follows: "NY Times reports Ponomarenko offered Nepal long-term credit 30,000,000 rubles in December visit. Money for airline, airfields, agriculture, roads, science teaching, production basic products. Embassy assessment and additional available information requested." (*Ibid.*,

Continued

Full report on Ambassador's September visit Kathmandu including all known details of Soviet aid offer being pouched.³

Highlights of offer as revealed these talks were 30 million rouble credit repayable in currency readily convertible to dollars or pounds sterling over 12 year period at 2½ per cent interest. Soviets proposed this credit be used for aircraft (6 IL-14's, 2 AN-2's and 2 helicopters at concessional rates), saw mill, salt factory, eastwest road, hydro electric plant, transport equipment including cars, trucks and heavy road building equipment (9 Pobedas, 6 GAX 12's, 6 "Volgas", 20 GAX 69's and 10 heavy cars). Soviets also pressed for technical mission but Nepalese demurred and expressed willingness accept only those technicians needed for projects agreed to by GON with understanding they would reside at site of project and not establish residence in Kathmandu valley.

[less than 1 line of source text not declassified] Soviet agenda included airport in terms, science college, mineral exploration and restriction on mountaineering by Westerners.

Comment: [3½ lines of source text not declassified] Both King and Subarna obviously disliked idea of Soviet loan and made clear their preference for grant. Seems evident Nepalese committed to some form Soviet aid but decision on terms and magnitude not yet reached. GON would prefer avoid large scale commitment for technicians and is casting about for formula which provides for Soviet aid with minimum Soviet participation.

Nepalese dilemma provides opportunity we may not have again to influence direction and magnitude Soviet aid in Nepal. Ambassador took every available opportunity stress to King and Subarna 1) political risks involved in accepting Soviet technicians; 2) technical and maintenance problems if Soviet equipment also brought into Nepal's development programs; 3) possibility of friction detrimental to Nepal's progress should Soviets enter same spheres of activity as roads, aviation, education, telecommunications in which free world countries already engaged; 4) dangers of over straining Nepalese absorptive capacity; 5) our flexibility in road program and willingness consider assisting in monetary stabilization program, noting however such assistance obviously difficult in Nepal under obligation at same time to repay Soviet loan.

861.0090C/1-659) Panteleimon Kondratevich Ponomarenko was Soviet Ambassador to India and Envoy to Nepal.

³ Bunker did not visit Nepal in September; reference is to his visit of December 14-19. Despatch 783 from New Delhi, January 19, reported in more detail on the Ambassador's trip, and included memoranda of his conversations with Nepalese officials. (*Ibid.*, 790C.00/1-1959)

Points appeared to have healthy effect on King and Subarna and by end of week Subarna conveyed impression GON attitude toward Soviet offer hardening, especially if Soviets insisted on loan. Important therefore we support Nepalese inclination to resist by providing prompt assistance in such fields as aviation and by maintaining flexible attitudes our other projects such as roads, in order preclude Soviet entry these important areas.

Bunker

277. Telegram From the Embassy in India to the Department of State¹

New Delhi, March 3, 1959—8 p.m.

2004. Ambassador returned Delhi February 27 after brief visit Kathmandu apprise King and top GON leaders of US offer of aircraft, attempt ascertain status Nepalese-Soviet aid negotiations and, if possible, counteract Soviet inroads.² Visit successful in Embassy's opinion and justifies cautious optimism that we be able slow down Soviet offensive to extent keeping USSR out of field of aviation [2 lines of source text not declassified]. Highlights of visit were:

1) [2 lines of source text not declassified] King [less than 1 line of source text not declassified] responsive to Ambassador's proposal for overall review GON's needs next three, four years to determine whether they could be met from existing foreign aid. If additional assistance required, Ambassador suggested US, and possibly other foreign missions now in Nepal, might contribute balance thereby eliminating need another foreign mission. Desirability such review, especially in conjunction proposed monetary stabilization program readily accepted by Foreign Minister and Foreign Secretary with whom it also discussed. (Ambassador did not see Subarna who out of town on campaign tour.) Premature determine whether GON will actually undertake such exercise [3 lines of source text not declassified].

2) Exact status Soviet-Nepalese negotiations matter speculation but, from all indications, they not progressing too well from Soviet point of view. Soviet Delegation reportedly pressing for immediate

¹ Source: Department of State, Central Files, 790C.5-MSP/3-359. Confidential. Repeated to Calcutta and Kathmandu.

² Bunker was in Nepal, February 25-27. In despatch 1000 from New Delhi, March 4, the Embassy reported in detail on the Ambassador's trip. (*Ibid.*, 790C.00/3-459)

conclusion broad agreement, but Nepalese resisting and demanding clarification all details before signing. King told Ambassador no definite agreement would be reached until after elections, while Foreign Minister twice stressed preliminary nature of talks, adding GON aware of risks of dealing with USSR.

3) GON's fiscal and monetary difficulties finally appear to have penetrated Nepalese consciousness and for first time GON officials used word "bankruptcy" in discussing economic outlook. Concern manifesting itself in unusually energetic efforts of committee appointed prepare Nepalese recommendations for monetary stabilization program. Both Foreign Minister and Foreign Secretary emphasized importance embarking this program soonest possible. They informed US prepared consider any reasonable project which might strengthen Nepalese economy if accompanied by necessary fiscal, administrative and tax reforms.

4) Healthy Nepalese proud over way elections proceeding and unexpectedly large popular response. Results generating widespread interest Kathmandu Valley and have already given thinking Nepalese sense satisfaction and increased self-assurance over progress achieved to date in tackling country's first major experiment in democratic processes.

Bunker

278. Memorandum From the Acting Secretary of State to the President¹

Washington, March 23, 1959.

SUBJECT

Proposed Visit of King Mahendra Bir Bikram Shah Deva of Nepal

Recent developments in the relations of Nepal [*less than 1 line of source text not declassified*] are causing the Department of State serious concern. [*3 lines of source text not declassified*]

¹ Source: Department of State, Central Files, 790C.11/3–2359. Confidential. Drafted by Benjamin A. Fleck and Herbert G. Wing of SOA. Concurred in by Chief of Protocol Wiley T. Buchanan, Deputy Under Secretaries Robert Murphy and Loy Henderson, Director of Intelligence and Research Hugh Cumming, and Assistant Secretary of State for Administration Walter K. Scott. In a March 10 memorandum to Acting Secretary Herter, Assistant Secretary Rountree recommended that the King of Nepal be invited to the United States due to the serious situation created by "the growing success

Continued

On a state visit to the Soviet Union in June, 1958, King Mahendra agreed, in principle, to accept Soviet economic aid. The Soviet Union is now employing strong pressure on Nepal to sign a firm agreement providing for Soviet assistance including technicians.

King Mahendra will be the one person in Nepal who will determine the extent to which Nepal yields to this Soviet pressure. An invitation to him at this time to visit the United States in 1959 or 1960 would strengthen his personal inclination toward the West and stiffen his resistance to Soviet aid. He has indicated on numerous occasions that he would like to visit this country.

We also wish to encourage efforts by the King, who is the principal unifying force in Nepal, to create a modern, democratic nation. These efforts include the proclamation of a constitution in February, under which Nepal is currently holding its first democratic elections for a Parliament.

I respectfully recommend, therefore, that, if your schedule permits, an invitation be extended to King Mahendra and Queen Ratna Rajya Lakshmi Devi to visit the United States in the autumn of 1959 or early spring of 1960. Even if the schedule should not permit a visit until 1960, it is most desirable that the invitation be extended to him as soon as possible.

It is suggested that the King be invited to spend three days here in Washington at the President's Guest House, and seven days visiting New York, Detroit, Fort Benning, and the Tennessee Valley Authority. I believe that you need only be involved personally to the extent of serving as host at a state dinner, and being guest of honor at a dinner given by the King.

I also recommend that you request the Secretary of Defense to furnish suitable aircraft for the transportation of the King and his party within the United States on a non-reimbursable basis, as being in the national interest.²

Christian A. Herter³

of the Soviet Union in its overtures to the Royal Government of Nepal." (*Ibid.*, 790C.11/3-1059)

² In an April 6 memorandum to John A. Calhoun, Director of the Executive Secretariat, Acting Chief of Protocol Robert F. Corrigan noted that the President approved the proposed visit of King Mahendra so long as it did not take place before the fall. The memorandum is attached to the source text.

In telegram 2416 to New Delhi, April 9, the Department of State authorized Ambassador Bunker to inform King Mahendra that the President invited him to the United States for a State visit during the autumn of 1959 or early spring of 1960 at a time to be mutually agreed upon. (*Ibid.*, 790C.11/4-959)

³ Printed from a copy that bears this stamped signature.

279. Telegram From the Embassy in India to the Department of State¹

New Delhi, April 28, 1959—11 p.m.

2623. This message outlines courses of action we recommend taking to cope with new set of conditions in Nepal.² Considerations involved in framing these recommendations include:

(1) Importance not playing into Thapa's hands and showing fallacy his policies.

(2) [2 lines of source text not declassified] As previously reported, King admitted having become committed to receive Soviet aid during his trip to Russia where he received red carpet treatment [2½ lines of source text not declassified]. I am confident pendulum will swing in our direction again in not too distant future, and we will have opportunity resume attempts establish closer relationship with King.

(3) Need to work with new government, which essentially friendly to us, without associating ourselves too closely, to avoid arousing King's suspicions of its loyalties or our motives.

I recommend that:

(1) We should avoid trying to outbid Soviets or indulge in recriminations against Nepalese. To react sharply either way now would be mistake.

(2) In my visit Nepal May 5–8, I propose inform King and GON officials of my regret their failure to keep me advised on negotiations with USSR and especially decision to establish Soviet Embassy in view our previous understanding this subject. In addition, in view size Soviet aid and limited capacity of Nepalese to absorb foreign aid, I feel Nepal will probably not require any increase in US assistance for some time to come (this is something I will be reviewing with Washington in next few months). I will also make point of seeing Subarna and B. P. Koirala to obtain their reaction to development and comments on role and scope of US aid new government has in mind.

(3) For time being, we should continue present level of aid and projects without major change in emphasis. We should conclude negotiations on aviation project as soon as possible and, once signed, deliver planes immediately. Similarly, hope there will be tangible evidence of implementation Telecommunications and Ropeway Projects before monsoon.

¹ Source: Department of State, Central Files, 611.90C/4–2859. Confidential. Repeated to Calcutta and Kathmandu.

² Voting in Nepal's first general elections began on February 18 and concluded on April 3. Over two-thirds of the parliamentary seats were won by the Nepali Congress, led by B. P. Koirala.

(4) Proposal for stepped-up USIS Information Program being reported separately.³ Meantime, USIS working on plan for TDY assignment of officer to Kathmandu until Johnson's⁴ replacement arrives.

(5) Unless conversations in Kathmandu lead to different conclusion, I am inclined defer extending invitation to King and definitely intend avoid giving Nepalese impression we planning rush in with Embassy. If questioned by Nepalese, I propose inform them that matter under consideration by Department as it has been for some time.

Comment: There will be occasion in next few months to invite King to US. His visit, if properly timed, could have very salutary effect, and one solution to timing of opening of Embassy in Kathmandu would be announcement while King in Washington.

(6) Embassy will shortly start working discreetly with USOM to tackle administrative problems involved in establishment resident mission. In this connection, would appreciate clarification from Department on present status of plans for staffing and financing resident Embassy. Important to have well-organized plan so that Embassy can be established with minimum delay and confusion when time comes.

(7) We should continue keep GOI informed our thinking and plans re Nepal to avoid their getting impression we attempting push them aside. Embassy will also use every available opportunity instill in Indians greater sense of urgency in their own approach to Nepal.

(8) We should take good look at our program in Nepal. I propose discuss this in detail with Drake⁵ during my visit there.

Bunker

³ On April 29, the Embassy in New Delhi forwarded to the Department the Country Team's recommendations for countering the increased Communist propaganda offensive in Nepal. (Despatch 1264 from New Delhi; Department of State, Central Files, 790C.5-MSP/4-2959) The Country Team recommendations are summarized in telegram 2647, *infra*.

⁴ Edmund R. Johnson, Cultural Affairs officer in Nepal.

⁵ Russell P. Drake, Director of the U.S. Operations Mission in Nepal.

280. Telegram From the Embassy in India to the Department of State¹

New Delhi, April 30, 1959—4 p.m.

2647. Reference: Embtel 1996, March 3.² Following is country team (CT) message summarizing recommendations of program described in reflet to counter Communist propaganda defensive [*offensive?*] in Nepal.

Increasingly evident since October 1958 that Communist bloc spearheaded by Soviet Union has stepped up its propaganda activities in Nepal. Manifestations of this activity include: (1) Increase in visits of Soviet officials to Kathmandu; (2) Greatly expanded exchange program featuring 15 scholarships for study in Soviet universities; (3) Flattery of King and Royal family with lavish gifts including Ilyushin aircraft; (4) Publication of *Sovietland* in Nepali; (5) Numerous Soviet film programs, including full-length documentary of King's visit to USSR; (6) Revitalization of Nepal-Soviet friendship association; (7) Efforts to acquire a printing press in Kathmandu to publish Soviet-Nepal output; (8) Establishment of library which expected open shortly; (9) Intensified cultural effort aimed at Nepalese susceptibilities, including publication in Nepali of history of Nepal and Nepalese-Russian dictionary.

Foregoing campaign being carried out in country with virtually no indigenous published materials but increasing appetite for them. Basic problem is who will be first to fill the vacuum.

I believe threat can be effectively countered by judicious use assets we already have and modest increase or reorientation in USOM and USIS programs. Trick is to expand program to fill vacuum before Soviets do without increasing American personnel or attracting undue attention to our activities. Our basic objective should be to strengthen Nepalese capacity to handle task, and we should stress themes which instill in Nepalese greater confidence in their government and belief in its capacity to handle their problems.

¹ Source: Department of State, Central Files, 790C.5-MSP/4-3059. Confidential. Repeated to Calcutta and Kathmandu.

² Telegram 1996 summarized a meeting of the Nepal Country Team, held at Kathmandu on February 26 during the visit of Ambassador Bunker. It reads in part as follows: "CT considered report summarizing stepped up Communist propaganda offensive spearheaded by USSR which in last six months assuming much larger proportions. CT requested USIS and USOM prepare joint statement outlining changed propaganda situation in Nepal, and listing specific measures which should be adopted to counter this offensive, including possible expansion American library operations in Nepal and increased backstopping from Delhi." (*Ibid.*, 790C.5-MSP/3-359)

CT recommends following multi-media program calling for close USIS-USOM collaboration: (1) organization immediately for operation after monsoon of two "foot mobile" teams with portable film equipment to tour hill areas. Interest generated by film shows can be exploited to introduce other media including exhibits, pamphlets, books, et cetera; (2) expanded exhibits program requiring close USOM-USIS cooperation with American library utilizing USOM resources for exhibits; (3) production and distribution of large quantities of reading materials which will require expanded Nepali translation program. It is recommended that majority these materials be financed by PL-480³ rupees under waiver Section 104(D), involving about \$100,000 worth Indian rupees; (4) assistance to radio Nepal, which only medium now able to reach entire country; (5) exchange program totalling 13 persons; (6) assistance to GON to help strengthen its public relations program.

In my opinion, program is sound and well-conceived, and I urge prompt approval to permit implementation immediately after monsoon. Soviet plans to establish Embassy in Kathmandu underline urgency of program.

Bunker

³ Agricultural Trade Development and Assistance Act of 1954, approved on July 10, 1954. (68 Stat. 454).

281. Telegram From the Embassy in India to the Department of State¹

New Delhi, May 9, 1959—7 p.m.

2765. I visited Kathmandu May 5-8 in order: (1) obtain fresh assessment of situation before departing on home leave; (2) meet Nepali Congress (NC) leaders who will be forming new government; (3) extend invitation to King to visit United States; (4) prepare way for establishment resident United States Mission.²

¹ Source: Department of State, Central Files, 790C.00/5-959. Confidential. Repeated to Calcutta and Kathmandu.

² The Embassy reported in more detail on Bunker's trip to Nepal, including memoranda of his conversations with Nepalese officials, in despatch 1351 from New Delhi, May 18. (*Ibid.*, 790C.00/5-1859)

Meeting with King confined to social occasion during which I mentioned invitation to him (see Embtel 2764).³

Highlights my talks with Subarna, Shah, Thapa, B. P. Koirala, NC General Secretary, several opposition leaders including K. I. Singh, are:

(1) B.P. Koirala. I was impressed by Koirala as clearest thinking Nepalese leader I have met. He has much to learn about economics and administration, but he is approaching tremendous task he faces with well-balanced blending of enthusiasm, practical political sense and commendable awareness of his own shortcomings. He considers himself a Socialist. No question of his basic political motivation, belief in democratic institutions and opposition to communism. We are fortunate at this time in political orientation of NC leadership, and we should be able to work closely with Koirala, who is receptive and welcomes our views.

(2) New government—King and Koirala met May 4 to discuss formation new government and public announcement of King's designation of Koirala as Prime Minister expected within ten days. Putting constitution into effect and opening of Parliament not planned until late June to give new government time form cabinet and prepare legislative program including budget.

(3) United States aid—I briefed Koirala on our present aid program, stressing implementation of several substantial projects of impact nature in near future and after formation new government including telecommunications, aviation and ropeway projects. Our preliminary exploration monetary stabilization scheme with GON also mentioned to him. Koirala stated United States aid going in right direction and he welcomed projects in communications field. However, first order of business new government would be to undertake "small scale impact" projects such as village drinking water, schools, village roads, bridges, health clinics in each of Nepal's 32 districts for admittedly political reasons. He considered it of vital importance to future his party and democratic institutions to show people benefits of popularly-elected government before NC turned to them for increased taxes. Accordingly, many United States-GON programs such as monetary stabilization, calling for extensive fiscal and TAC reforms must be deferred until impact program launched. He wanted this initiated immediately and estimated it would cost about \$4 million first year mostly in local currencies. Koirala said he had discussed approach

³ In telegram 2764, May 9, Bunker reported that he extended the President's invitation to the King for a visit to the United States during a small dinner which he gave for the King in Kathmandu on May 6. "King appeared extremely pleased," Bunker noted, "and said he would inform me soon about his wishes on timing of visit." (*Ibid.*, 790C.11/5-959)

with Sahay⁴ who had indicated general agreement and willingness of GOI to help. Sahay confirmed this when I called on him.

(4) Opposition parties—Opposition has little voice within Parliament. Tanka Prasad,⁵ K. I. Singh and Communists therefore reportedly negotiating to form some type coalition outside Parliament. Meanwhile Singh threatening stage nation-wide Protest Day against “illegal” elections, demand for “caretaker” government and new “honest” elections. Expectation is that opposition will not resort to agitation until NC has been in office some time and issue arises which favorable for opposition to exploit. Opposition leaders fail recognize how discredited they are, but they can serve useful purpose of preventing complacency in NC ranks.

(5) Soviet Mission—Koirala and Subarna made point of expressing their regret over hasty action of old government in allowing resident Soviet Mission and way in which decision reached. During meeting with Shah and Thapa, I expressed my surprise at Nepalese failure keep us informed especially since I thought we had understanding with GON over reasons why we had not established mission in past. They offered lame excuse they had instructed Daman⁶ to see me before event. I believe my representation served purpose, especially on Thapa.

Subarna indicated Soviet aid projects would have to be negotiated in detail with new government [*less than 1 line of source text not declassified*]. I mentioned to Subarna and Koirala our concern over implication Soviet East-West road survey and told them regional road priorities were flexible. First Soviet technicians expected July.

(6) Summary—In spite of arrival of USSR on scene, number important assets working in our favor, most valuable being Nepal’s first popularly-elected government, with strong working majority, which believes in democratic institutions and is Western-oriented. Important for future of these institutions and for free world to do everything we can to help this government succeed during its five years in office. I visualize our role being that of injecting as much realism as possible in its programs and, on the other hand, of providing prompt and flexible backstopping of new government. Koirala’s impact program merits our support even though it may include a few ill-conceived schemes and

⁴ Bhagwan Sahay, Indian Ambassador to Nepal.

⁵ Leader of the People’s Party (*Praja Parishad*) and former Prime Minister of Nepal, 1956–1957.

⁶ Lieutenant General Daman Shamsher Jang Bahadur Rana, Nepalese Ambassador to India, the People’s Republic of China, and Japan.

some waste. There is a small price to pay for the mutually important significance of its success. As the new government begins formulating its programs, we will submit our specific recommendations on them.

Bunker

282. Telegram From the Embassy in Nepal to the Department of State¹

Kathmandu, October 15, 1959—4 p.m.

36. With monsoon over, Prime Minister Koirala² faces first real test of his leadership to: (1) implement administration's program which formed during monsoon period; (2) provide people with evidence of tangible benefits of democratic government and Nepal Congress administration (including delivery on election promises); (3) maintain vitality and unity of party organization. In spite of landslide election victory, leadership displaying commendable awareness of importance of avoiding complacency and strengthening party's grass-roots organization. Significant NC leaders are planning series of regional political conferences in next few months to acquaint district party units with NC programs and enlist their support; (4) maintain confidence of King and close working relations with Palace.

While Prime Minister is operating from position of strength, he is concerned over: (1) cracks appearing in party due to insidious effects of exposure to Kathmandu intrigue and inevitable loss of momentum and enthusiasm as honeymoon period comes to end; (2) border situation. He considers country ill-prepared to cope with defense problems, threat of infiltration and potentially awkward refugee situation; (3) relations with King and pressure from Palace to avoid any differences with ChiComs; (4) marked increase in Communist propaganda aided by Soviet Embassy and ChiComs and in activity of local Communists who are free to operate in country while NC resources and manpower are concentrated on more difficult tasks of reorganizing government and developing constructive programs.

¹ Source: Department of State, Central Files, 790C.00/10-1559. Confidential. Repeated to New Delhi and Calcutta. On September 9, Henry E. Stebbins was appointed the first U.S. Ambassador resident in Nepal; he presented his credentials to the Government of Nepal on November 25. Douglas L. Heck was First Secretary of the Embassy.

² After the resignation of General Subarna on May 4, the King called upon Koirala to form a new government. On May 19, the King approved Koirala's proposed list of ministers and Koirala became Prime Minister on May 27.

Also signs that Prime Minister is becoming impatient with what he considers to be US failure in responding affirmatively and promptly to various Nepalese requests for assistance. Although Prime Minister aware of need not to be too closely associated publicly with US, he and colleagues have turned first to US for aid on projects of importance to country and party. So far, except for delivery of one plane and establishment Embassy, Prime Minister can see little tangible evidence of US support for his administration over that provided previous regime. He feels we have not responded to projects in easily identifiable manner, including assistance for monetary reform and currency stabilization project. Budget approved by Parliament has many shortcomings, but it includes tax increases which are substantial from Nepalese point of view and already politically embarrassing to NC. In addition, Birta abolition bill approved by Parliament before adjournment is genuine move toward long overdue land reform. Both Prime Minister and Subarna feel they are moving in direction of tax, land and monetary reforms which we have urged on them without corresponding response from US. Another indication of his thinking is concern over reception in US should he visit there in next few months and fear he may return empty-handed.

[1 line of source text not declassified] NC is Western oriented, genuinely democratic, with broad support, which are characteristics few governments in Asia possess. At same time, Koirala is man in a hurry and although some of his impatience due to inexperience and will wear off, important that our relations with [him] are not soured or that he become disillusioned about US or its capacity to move quickly when required.

Heck

283. National Intelligence Estimate¹

NIE 55–59

Washington, November 24, 1959.

THE OUTLOOK FOR NEPAL, BHUTAN, AND SIKKIM²

The Problem

To estimate probable developments in Nepal, Bhutan, and Sikkim during the next few years, including the relations of these states with India, the Sino-Soviet Bloc, and the West.

Conclusions

1. Nepal, Bhutan, and Sikkim are strategically located on India's northern frontier and are vulnerable to Chinese Communist pressures. India views this vulnerability as directly endangering its own security. (Paras. 8, 23, 27, 34)

2. *Nepal's* first experiment in representative government began with the elections of 1959. The moderate socialist Nepali Congress Party won a sweeping victory. Its leaders, headed by Prime Minister Koirala, seem to be working harmoniously with King Mahendra, who retains extensive powers under the new constitution. These circumstances improve the prospects for stable government over the next few years. (Paras. 9–13)

3. Nevertheless, Nepal faces formidable internal problems. Differences between Mahendra and the Nepali Congress government could emerge and disrupt their present cooperation. Internal dissensions

¹ Source: Department of State, INR–NIE Files. Secret. National Intelligence Estimates were high-level interdepartmental reports appraising foreign policy problems. NIEs were drafted by officers from those agencies represented on the U.S. Intelligence Board, discussed and revised by interdepartmental working groups, coordinated by the Office of National Estimates of the CIA, approved by the USIB, and circulated under the aegis of the President to appropriate officers of cabinet level and the members of the NSC.

According to a note on the cover sheet, the following intelligence organizations participated in the preparation of this estimate: the CIA and the intelligence organizations of the Departments of State, Army, Navy, Air Force, and The Joint Staff. All members of the USIB concurred with the estimate on November 24 with the exception of the representatives of the Atomic Energy Commission and the Federal Bureau of Investigation. Those representatives abstained since the subject being considered was outside their jurisdiction.

² This estimate is devoted primarily to the outlook for Nepal; consideration of Bhutan and Sikkim is limited almost entirely to likely developments in their relations with India and China. [Footnote in the source text.]

might in time weaken the Nepali Congress. Conservative forces may be able to exploit differences between King and government. (Paras. 13–15, 17–20)

4. Local Communist subversive activities are unlikely to pose a serious threat to the government within the next few years, though these capabilities will probably grow with tightening Chinese Communist control of Tibet and greater Bloc interest in Nepal. (Para. 16)

5. In foreign affairs, Nepal will maintain its neutralist policy. Being more fearful of Communist China than of India, it will continue to rely primarily on the latter to preserve its independence, while seeking not to antagonize Communist China. At the same time, it will welcome financial and moral support from the US. (Paras. 23–33)

6. The remoteness and backwardness of Nepal make major economic progress unlikely for years to come. However, with continued outside aid, modest improvements in output and living standards are feasible over a period of time, and these would probably be enough to satisfy the expectations of the Nepalese. (Paras. 21–22)

7. India will continue to control the foreign relations of the small and primitive states of *Bhutan* and *Sikkim*, and to assume responsibility for their defense. However, India would find it particularly difficult to defend Bhutan until roads now planned link the countries. India already has troops in Sikkim and will take whatever action it deems necessary to maintain effective control over that state. (Paras. 34–38)

[Here follows the "Discussion" section, comprising numbered paragraphs 8–38.]

**284. Memorandum of a Conversation, White House,
Washington, April 28, 1960¹**

SUBJECT

Call on the President by the King of Nepal

PARTICIPANTS

United States
The President

Nepal
His Majesty Mahendra Bir Bikram Shah

¹ Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Official Use Only; Limit Distribution. Drafted by Parker T. Hart. Herter briefed the President for his meeting with King Mahendra in a memorandum of April 20. (*Ibid.*, Central Files, 790C.11/4–2060) The King was in Washington for a 4-day official visit, April 27–30. He remained in the United States for a brief tour of the country until May 13. For text of the joint communiqué issued after the King's talk with President Eisen-

Acting Secy of State Loy W. Henderson
Amb. H.E. Stebbins
Acting Asst. Secy, NEA Parker T. Hart

Deva, King of Nepal
His Excellency Subarana S.J.B. Rana,
Dep. Prime Minister of Nepal
His Excellency Rishikesh Shaha
Ambassador of Nepal

His Majesty requested and had a private meeting with the President lasting about 20 minutes, following which the remainder of the visiting group was admitted. The President indicated to His Majesty his desire to learn of any problems which the Kingdom of Nepal might have in which the United States could possibly be helpful, or any problems which the two countries might share in common. His Majesty requested the Deputy Prime Minister to reply.

Rana emphasized that the great problem of Nepal today was its very low standard of living and the need to utilize its manpower and resources far more effectively than at present. Ninety-five per cent of its 9 million people were engaged in agriculture, almost all of them along traditional lines. Improvements in agriculture were a great necessity and the Kingdom was very grateful for American technical assistance already received in this regard. The President expressed great interest in this point and queried Rana at length with respect to the agricultural picture in Nepal. It was made clear that while in the Terai a few tractors were in use as well as bullocks for plowing, in the hills and mountains, hand labor was the universal rule. Rana indicated that the irrigation was important in certain areas where the monsoon rains were uncertain, in order to obtain the desired two crops per year. In valleys monsoons permitted rice to be grown by terrace farming—all hand work. In this connection, the President recalled his experience in the Philippines where he observed remarkable terrace farming on mountain sides high up river valleys where the deflection of water was accomplished with incredible skill. Secretary Henderson indicated that he believed that the Nepalese technique in terracing was equal to the best in the Philippines.

The President observed that there was in the United Nations an institution called the Special Fund headed by Mr. Hoffman² which undertook upon request to make full surveys of a nation's needs. Should it be desired, the President was prepared to write a letter to Mr. Hoffman asking that this Special Fund undertake a full survey of the needs of Nepal. The President remarked parenthetically that he was much impressed with what he had heard from His Majesty regarding the struggle which had taken place to establish a democratic government in Nepal and he wished to do everything he could to assist the Kingdom in preserving and further developing its democratic institu-

hower and the text of the King's address before Congress on April 28, see Department of State *Bulletin*, May 23, 1960, pp. 827–831.

² Paul G. Hoffman, Director, U.N. Special Fund.

tions. While Rana indicated that some requests had already been made to the Special Fund, he replied that he would, indeed, appreciate the President's carrying out his offer to address a letter in this sense to Mr. Hoffman.

The importance of industrialization was emphasized by Rana who referred to Nepal's possibility of producing cheap hydro-electric energy through utilization of some of the many waterfalls of the country.

Following the admission of photographers the President pointed out and gave the background of certain paintings which he had received as gifts and which decorate his office.

Comment: Subsequently Ambassador Shaha expressed to Secretary Henderson the great pleasure His Majesty experienced from this interview with the President.

**285. Memorandum of a Conversation, Department of State,
Washington, May 17, 1960¹**

SUBJECT

Economic Aid to Nepal

PARTICIPANTS

Acting Secretary Dillon

General Subarna S.J.B. Rana, Deputy Prime Minister and Finance Minister of
Nepal

Ambassador Henry E. Stebbins, United States Ambassador to Nepal

ICA—Mr. Harold Schwartz

SOA—Frederic P. Bartlett

This meeting was arranged at the request of the Nepalese Embassy to permit General Subarna to review Nepalese economic problems and needs with the Acting Secretary. It lasted about half an hour.

The Deputy Prime Minister opened the discussion by briefly reviewing events in Nepal since 1950. He stressed (1) his government's efforts to establish and maintain democratic institutions in Nepal, (2) the profligacy of previous governments which reduced Nepalese reserves from about 130 million Nepalese rupees in 1950 when General Subarna had first resigned as Finance Minister to something like 34 million rupees when the present government came into power, and

¹ Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Confidential. Drafted by Bartlett. Assistant Secretary G. Lewis Jones briefed Dillon for this meeting in a memorandum of May 16. (*Ibid.*, Central Files, 033.90C11/5-1660)

(3) the serious efforts which the Nepalese Government and Nepalese people were making to help themselves in the building of roads and schools, to extend land reform measures, and to increase taxes.

General Assistance

The Acting Secretary expressed appreciation of Nepal's interest in attempting to establish democratic institutions and in working hard to build up its economy. The United States Government wanted to continue to do everything it could to assist and would be glad to look at specific problems. The Acting Secretary noted, however, that as far as dollars were concerned, there were none left available out of fiscal year 1960 funds. Next year, he continued, the Department would be in a position to consider new project financing. There was not a similar time factor involved in connection with U.S.-held Indian rupee financing.

U.N. Special Fund Assistance

The Acting Secretary noted that King Mahendra, when he had recently discussed Nepal's problems with the President, had indicated Nepalese interest in the United Nations Special Fund. As a consequence, the President had himself written to the director of this Fund as a personal friend.² In Mr. Dillon's opinion, the Fund might be more helpful in the planning field than any individual outside country. Should the Fund be in a position to help in this area, its reports would receive wide distribution and might be useful in encouraging other countries to offer assistance toward Nepal's economic development.

Investment Guaranty Agreement

The Deputy Prime Minister told the Acting Secretary that he was happy and grateful that the United States Government had agreed to sign an investment guaranty agreement with his country. The Acting Secretary in reply warned that it probably would take considerable time to work out private American investment projects even under the new agreement. He wished, however, to express the United States Government's appreciation of the concern which the Nepalese Government was exhibiting in the promotion of local and foreign private enterprise in Nepal.

The rest of the conversation reviewed the progress being made on certain projects in Nepal. At the conclusion of it the Acting Secretary and the Deputy Prime Minister signed an investment guaranty agreement on behalf of their two countries.³

² A copy of Eisenhower's letter to Hoffman, dated May 9, was attached to the briefing memorandum from Jones to Dillon; see footnote 1 above.

³ For text of this agreement, see 11 UST 1396.

286. Letter From the Director of the Office of South Asian Affairs (Bartlett) to the Ambassador in Nepal (Stebbins)¹

Washington, August 4, 1960.

DEAR HENRY: Your letter of June 24 regarding the possibility of extending defense assistance to Nepal has aroused a good deal of thought here.² During the past six months, the question of defense assistance has been given some consideration in SOA and at the working level in the Department of the Army but it has not, so far as I know, received high-level consideration. The ideas set forth in this letter represent the preliminary thinking of SOA on the subject. I have not cleared this letter outside of the office, as I do not wish to arouse premature interest, either positive or negative, on the part of others within the Department, in the absence of any concrete indications of the nature, size, scope, or cost of any possible Nepalese request.

I agree fully with your view that the introduction of American weapons into Nepal would complicate the situation. Such a development, in addition to strengthening the Nepalese armed forces, might result in a stiffening of the Communist Chinese attitude toward Nepal, which in turn might lead to a further deterioration of Nepalese relations with the Communist Chinese. [1 line of source text not declassified]

I believe, however, that the disadvantages of providing military equipment would probably outweigh the advantages. As you indicated in your letter, the Nepalese armed forces are presently geared into those of India and the United Kingdom. In the case of hostilities, the main logistic support for the Nepalese army would, perforce, have to be provided by India. In view of Nehru's commitment to defend Nepal, Indian forces would probably be operating in Nepal, in conjunction with the Nepalese forces. I believe, therefore, that it would be more advantageous for us to encourage the Nepalis to continue to obtain their military equipment from the Indians and the British than to attempt to establish an extremely lengthy pipeline from the U.S. to

¹ Source: Department of State, SOA Files: Lot 63 D 110, Nepal—1960. Secret; Official-Informal. Drafted by Benjamin A. Fleck and Robert E. Jelley of SOA

² In this letter, which was attached to the source text, Ambassador Stebbins noted that the Army Attaché in Kathmandu asked him that day whether he had received any briefing in the Department of State prior to his arrival in Kathmandu concerning U.S. policy on military assistance to Nepal. "If the Department has given any thought to this matter," Stebbins wrote, "or if this question has arisen in the past, prior to the opening of the Embassy, I would be very glad to receive some guidance. My own feeling is that it might be awkward and maybe even non-productive to enter into this kind of operation at this time, largely because the Nepalese military are geared to Indian and British logistics which could only be complicated by our coming into the picture."

Nepal which, because of the distance separating the two countries and the necessity for transiting India, would be both costly to operate and difficult to administer.

Furthermore, the strategic importance of Nepal to India would require, I believe, the closest possible coordination between ourselves and the Indians of any U.S. military aid program in Nepal. If you have not done so, I think it would be a good idea to sit down with Harishwar Dayal³ and have an exploratory chat with him on a "personal and unofficial" basis. We would be interested in knowing his thinking on this subject. We would not, of course, want him to get the impression that we are contemplating the invitation [*initiation?*] of a military aid program in Nepal.

[1½ lines of source text not declassified] The only way of channeling [less than 1 line of source text not declassified] military aid through the present economic aid program, so far as I know, would be as a part of the Overseas Internal Security Program, which is discussed below.

Although we believe it preferable for the Nepalese to continue to obtain military equipment from their present suppliers, we have begun to explore the procedural and budgetary problems involved in providing such equipment to Nepal under our existing legislation. I am enclosing for your information a copy of our basic agreement with India which governs the sale of all U.S. military equipment to that country.⁴ A similar agreement with the Nepalese would be required before any sales could be made, unless an exemption could be obtained by Presidential decision.

I hasten to add, however, that I do not regard the idea of military sales to Nepal as either feasible or desirable, in view of Nepal's rather shaky financial position and that [*the*] drain on her foreign exchange holdings which any purchases from us would entail. Such transactions, as you know, are handled on a strictly "cash on the barrelhead" basis, and we would not be able to reimburse the Nepalese for any funds so spent.

In regard to grant aid under the Mutual Security Program, the situation is complicated and difficult. As you know, there is a great deal of pressure to reduce the size of the worldwide program. This makes the introduction of a new country program into the overall program somewhat difficult. In order to accomplish it, we would have to have the strongest possible justification.

In view of all the foregoing considerations, SOA's preliminary reaction is that we should leave defense assistance in the hands of the Indians and the British and concentrate our efforts elsewhere. We are

³ Minister of the Indian Embassy in the United States.

⁴ Reference is to the mutual defense assistance agreement between the United States and India, concluded in March 1957.

making an important contribution to the defense capabilities of Nepal in our telecommunications, ropeway, road and aviation projects. The early completion of these economically justifiable projects should increase the mobility and effectiveness of the Nepalese Army, as well as rendering possible rapid logistical support from India in the event of need.

Moving from defense to a closely related field, internal security, two recent reports from the Embassy (Despatch No. 233 of June 29⁵ and CS 3/443/182 of July 12)⁶ seem to indicate that the Nepali police force is weaker [*less than 1 line of source text not declassified*] than we had realized. In view of the possibility that the Sino-Soviet Bloc will attempt to subvert Nepal from within rather than seize it from without, it appears that one of Nepal's most pressing needs is to create a loyal, efficient internal security force, capable of controlling the rural areas as well as the capital.

It occurs to me, therefore, that the Embassy might wish to consider the desirability of recommending the establishment of an Overseas Internal Security Program as part of the technical cooperation program in Nepal. OISP programs are currently in operation in about 26 foreign countries under the general supervision of the Public Safety Division of ICA, working through the local USOM's.

In its initial stages, I understand, the typical OISP program is likely to include the provision of technicians and demonstration equipment. The latter usually consists of signal equipment and transportation equipment, such as trucks or jeeps. I am told that usually small arms are not included because the recipient country usually already possesses them in adequate numbers. However, if there is urgent need and sufficient justification from the policy viewpoint, the equipment mentioned above can usually be programmed for supply to the country for non-demonstration purposes. In some of the OISP programs there is provided training in riot control, anti-guerilla tactics, and psychological warfare. In the above subjects, as well as in regular police work, training is available both in the United States and in third countries.

I have written at some length on this subject because I wanted to be sure that you were aware of the above possibilities. I believe that offering the Nepalese a modest police program would be preferable to our becoming involved in [*less than 1 line of source text not declassified*] military assistance effort. Certainly, the political liabilities would be less. A police program administered by civilians within the framework of the existing ICA program would attract less unfavorable attention than a military transaction however well handled.

⁵ Dated June 29. (Department of State, Central Files, 890C.501/6-2960)

⁶ Not further identified.

An understanding between the King and the GON on the control and orientation of the Nepali police and the objectives to be achieved by a police improvement program would appear to be a necessary precondition to our undertaking the effort. Otherwise, we might become involved in a conflict of interest between the two. [3½ lines of source text not declassified]

I wish to emphasize that the foregoing ideas are merely tentative thoughts on this subject, intended to provide a point of departure for future discussion and exploration of the problem. They have not been discussed outside of SOA. Your thoughts on the desirability and feasibility of some form of defense or internal security program and your views on the scope and direction of such program would be greatly appreciated.

I am sending a copy of this letter to Ambassador Bunker for his information and for any comments which he may wish to make in regard to possible Indian reactions.

Sincerely yours,

Frederic P. Bartlett⁷

⁷ Printed from a copy that bears this typed signature.

287. Memorandum of a Conversation, New York, September 22, 1960, 3:30 p.m.¹

SUBJECT

Talk with Nepalese Prime Minister Koirala

¹ Source: Eisenhower Library, Staff Secretary Records, International Series. Confidential; Limit Distribution. Drafted by Jones on September 26. The source text indicates that the conversation took place at the Waldorf-Astoria Hotel. President Eisenhower and Prime Minister Koirala were in New York for the 15th Session of the U.N. General Assembly, which opened on September 19. Eisenhower was briefed for this meeting in a memorandum of September 21 from Acting Secretary Dillon. (Department of State, Central Files, 033.90C11/9-2760) A slightly different memorandum of this conversation, drafted by John S. D. Eisenhower, is in the Eisenhower Library, Staff Secretary Records, International Series.

PARTICIPANTS

The President	H.E. B.P. Koirala, Prime Minister of Nepal
The Secretary of State	H.E. Rishikesh Shaha, Nepalese Ambassador in Washington
Lt. Col. John Eisenhower	
Mr. G. Lewis Jones (NEA)	

The Nepalese Party arrived on time and when Koirala was seated on the sofa beside the President, the latter started the conversation by inquiring regarding the East-West Road. He asked how long it was (550 miles) and then opined that he thought the Indians should take an interest in building this road. The Prime Minister replied that the Indians' interest was largely in North-South roads. The new road would run along the foothills of the Himalaya (the Terai) and would cross many rivers. He implied Indian interest was likely to be small, but he did not ask specifically for U.S. aid in connection with the road.

The Secretary introduced the subject of Mount Everest and asked whether it was a fact that the Chinese communists had laid claim to it. The Prime Minister outlined briefly his recent negotiations with the Chinese communists regarding Nepal's northern border and said that the Chinese were being very flexible in their dealings with Nepal.

A silence having fallen (these silences are a mannerism of the Prime Minister), the President asked him to convey his personal greetings to the King and Queen whose visit to this country, the President said, he had greatly enjoyed. The Prime Minister said the King and Queen had returned "enormously impressed" by what they had seen in the U.S. and by the warmth of the reception given them "even in small places."

The President expressed the hope that the Prime Minister would be able to do some traveling in the U.S. before returning; he said that in particular the Prime Minister should see the large farms in the West and the high degree of mechanization with which they are operated. The President said, by way of example, that 175 years ago 92% of our population was engaged in raising food and fiber; today only 8% are so engaged. This means that today one farmer, using machinery, fertilizer, etc., produces food and fiber for 20 others.

The President then recalled his interesting stay in Delhi and the exhibits at the Delhi Agricultural Fair.

Regarding the President's suggestion that he travel in the U.S., the Prime Minister said that the farthest west he had been was yesterday when he visited Washington, D.C. The President opined that there are only two places which are "not America"—New York and Washington, D.C. The Prime Minister explained that he would have to be back in Kathmandu by October 6 when the King and Queen would depart for a state visit to the U.K.

As one of the difficulties he was confronting, the Prime Minister mentioned the fact that to get troops to the scene of the border incident which occurred a few weeks ago along the Nepalese-Chinese frontier where a Nepalese was killed, required three weeks' foot march by Nepalese forces. The President seemed surprised that aircraft could not be used—in particular, helicopters, but the Prime Minister explained that there are very few landing fields in Nepal and that the largest aircraft which can be safely used there at this time are DC-3's.

The Prime Minister said that Nepal was an interesting country and he hoped it would be possible for the President to visit Nepal someday. The President replied that so far as hunting was concerned, he did not like to kill anything larger than birds. The Nepalese Ambassador intervened at this point to say: "But we have birds, too!" The Prime Minister implied that there was more than hunting to be done in Nepal.

The President introduced the subject of the "very remarkable" Indus River settlement.² He hoped something might be done also about Kashmir. The Prime Minister hoped so too, but said that even if the two leaders were agreed on this difficult subject, there were limits to what they could achieve since public opinion is deeply exercised on both sides of the cease-fire line.

The President acknowledged the Prime Minister's point with regard to the force of public opinion. He said that in the Philippines there had been agitation for independence; the U.S. had replied: "Take your independence"; the leaders, after thinking it over, realized that they were not ready for independence, but public opinion had been so aroused at earlier stages that they could not stop the demand. The President spoke highly of the standard of living which existed in the Philippines at the present time.

Lt. Col. Eisenhower inquired whether the Prime Minister had seen Don K. Price of the Harvard School of Business Administration who had recently been sent to Kathmandu at the request of the King of Nepal to advise the latter on governmental organization. The Prime Minister said he had seen Price a number of times—most recently at the luncheon party in Washington the previous day. The President said that Price at one time was a member of his "team"; that Price had returned very enthusiastic about his stay in Nepal, and had highly praised the good work carried out by the Prime Minister.

The Prime Minister said that he and his government were working hard, but they were confronted by many problems resulting from Nepalese underdevelopment. The President picked up this point and said the United States, France, the U.K., and other nations have taken

² On September 19, India and Pakistan concluded a treaty governing the use of the Indus Waters; see Document 97.

centuries to develop the high standard of living which they enjoy today. Development takes time. It was important that young, underdeveloped countries avoid impatience.

The Prime Minister did not demur, but he said that internal and external communist pressure "keeps us on the run." He said that the Chinese communists may not be pressing Nepal at this time, but they can start applying pressure at any time.

The President commented: "You are under their guns." He then inquired whether the Communist leaders in Nepal are educated. The Prime Minister said they were educated and had some influence.

The President commented that it was hard for him to understand how anyone would ever want to be a communist; how anyone would be willing to become a "servant" and to live as a slave taking orders. The Prime Minister made the point that communist influence was strongest where the territory involved was contiguous to the communist bloc. [6½ lines of source text not declassified]

The interview broke up with the appearance of Mr. Hagerty. The President and the Prime Minister moved to an adjoining room where they posed for photographers. Ambassador Shaha approved a simple press statement regarding the interview, which was later given to the press by Mr. Hagerty.

288. Memorandum From the Secretary of State to the President¹

Washington, October 13, 1960.

SUBJECT

Successful Completion of the Special Political Mission to Nepal

At the beginning of the call which King Mahendra of Nepal made on you on April 28,² during the course of his State Visit, he asked that you dispatch a special political mission to Nepal. He stated that the purpose of such a mission would be to study the functioning of democratic processes and institutions in Nepal and to make recommendations to the King for their improvement.

¹ Source: Department of State, Central Files, 790C.02A/10-1360. Secret. Drafted by Jelley on October 6. In a memorandum of October 10 to Secretary Herter, Assistant Secretary Jones explained the background of Don K. Price's visit to Nepal and recommended that the Secretary approve a memorandum for the President, informing him of the successful completion of Price's special political mission to Nepal. (*Ibid.*, 790C.02A/10-1060)

² See Document 284.

After careful consideration, Mr. Don K. Price, Jr., Dean of the Graduate School of Public Administration, Harvard University, was selected by the Department to undertake this mission. Mr. Price visited Nepal from August 28 to September 16. He was received as a guest of the King and was lodged in the Royal Guest House. After a close examination of the political situation, including many conversations with Nepalese officials and political leaders, he submitted certain recommendations to the King for administrative reform and improvements in the functioning of the Judiciary and certain quasi-independent executive offices. He also made recommendations designed to improve the relationship between the monarchy and the elected government.

King Mahendra expressed great pleasure at Dean Price's visit and thanked him for his recommendations. Ambassador Stebbins believes that the King is genuinely grateful for our assistance in this matter. I believe that your agreement to the King's request and the prompt dispatch of Dean Price to Nepal has strengthened the King's confidence in us, and consequently, may make him more receptive to our views in the future. I believe, therefore, that the mission was entirely successful.

King Mahendra asked Dean Price to convey to you his best personal regards.³

Christian A. Herter⁴

³ On September 21, Price met with Jones and Hart and reported on his visit to Nepal; a memorandum of that conversation, drafted by Fleck, is in Department of State, Central Files, 790C.02A/9-2160.

⁴ Printed from a copy that bears this typed signature.

**289. Memorandum of a Conversation, Department of State,
Washington, October 31, 1960¹**

SUBJECT

Call on the Under Secretary by the Ambassador of Nepal

PARTICIPANTS

His Excellency, Rishikesh Shaha, Ambassador of Nepal
Mr. Jagdish S. Rana, Second Secretary, Embassy of Nepal

¹ Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Limited Official Use. Drafted by Adams.

The Under Secretary
SOA—Mr. T. Eliot Weil
SOA—J. Wesley Adams

Ambassador Shaha stated that he had been asked by his government to stress to the United States Government Nepal's urgent need for additional economic assistance, especially in Indian rupees. Without additional United States aid a number of the projects now under way might have to be discontinued. He referred to the fact that in Fiscal Year 1960 the United States Government had advanced \$16.8 million in Indian rupees but that none had been provided in FY 1961. He added that a representative of the U.S. Government was currently in Nepal discussing the aid program and that the Deputy Prime Minister had expressed alarm over the possibility that American aid might not continue at its present level.

Mr. Dillon explained that \$15 million in Indian rupees extended as a grant in the last days of our FY 1960 was not to be considered as an aid contribution for that particular year. It had actually been contemplated that the grant would be extended early in FY 1961. The date had been advanced in view of a new Congressional requirement that local currency loans and grants would in the future require dollar appropriations. He added that even with this advance in date he had had some difficulty in getting agreement that the \$15 million in rupees could be made available without an appropriation.

The Ambassador said his government had estimated that for FY 1962 it would require a grant of \$14 million and a loan of \$18 million in Indian rupees. He asked if he could inform his government that assistance in this amount might be expected for that year. Mr. Dillon explained that Congress appropriated money on a global basis and not for particular countries. He thought, however, that assistance to Nepal in the range of the figures mentioned by the Ambassador might be possible. Mr. Dillon added that he understood our people in Kathmandu had recently discussed with the Nepalese Government the possibility of a very substantial increase in U.S. aid for FY 1962. He did not think aid at that level could be provided.

The Ambassador inquired if it might be possible to obtain some small additional assistance in FY 1961. Mr. Dillon said that this might be possible; there was a Contingency Fund from which small additional amounts could, from time to time, be advanced.

The Ambassador said that Nepal was in an emerging state economically and that it would no doubt require assistance from the United States for at least the next four or five years. He inquired whether Nepal might expect such assistance. Mr. Dillon said we appreciated Nepal's needs, and that we intended to do what we could to help. He mentioned the Development Loan Fund as one possible source of more assistance.

290. Despatch From the Embassy in Nepal to the Department of State¹

No. 136

Kathmandu, December 21, 1960.

SUBJECT

Memorandum of Conversation Between King Mahendra and the Ambassador

There is enclosed a Memorandum of Conversation between King Mahendra and the Ambassador which took place on Tuesday, December 20 at 8:00 P.M., at the Royal Palace.²

The King made the following points with regard to his recent seizure of power:³

(1) He took the step on his own responsibility with no outside influence whatsoever brought to bear.

(2) He had planned this move for some time and knew of the approximate timing when the Ambassador last saw him on December 9.

(3) He professed a strong belief in democracy, which he claims he himself has brought to Nepal and will continue to work towards it.

(4) He hopes to maintain friendly relations with all countries, including the United States.

(5) He dismissed the Government and imprisoned its leaders because they were guilty of corruption and of aiding and abetting Communism.

(6) He intends, before the end of the year, to appoint a Council of State which will form the new government and help him rule the country until such time as he feels the country is ready for another attempt at parliamentary government.

(7) He assured me that former Prime Minister B. P. Koirala and other members of the late Government were being well treated and that he did not contemplate harsh action against them.

Comment: During the interview, which lasted about half an hour, the King was relaxed and self-confident, spoke freely and, for him, with unusual fluency in English. He was straightforward and looked the Ambassador straight in the eye.

¹ Source: Department of State, Central Files, 790C.00/12-2160. Confidential.

² Not printed. Stebbins also cabled a summary of this conversation with the King to the Department of State in telegram 446 from Kathmandu, December 21. (*Ibid.*, 790C.00/12-2160)

³ On December 15, the King dissolved the Government of Nepal. The Embassy reported to the Department on this development in telegram 405 from Kathmandu, December 16, and telegram 428 from Kathmandu, December 19. (*Ibid.*, 790C.00/12-1660 and 790C.00/12-1960) On December 20, Ambassador Rishikesh Shaha met with representatives of SOA to explain the King's action. A memorandum of that conversation, drafted by Jelley, is *ibid.*, 790C.0/12-2060.

In analyzing this coup d'état, for this is what we believe it to be, we feel that the King's motives in taking the precipitate action he did were guided less by the issues of corruption and Communism than by a growing fear that his own personal position and prestige were dwindling and that if he did not act soon, it might be too late. [2 lines of source text not declassified] While it is doubtless true that there has been corruption in high places and evidence, some true and some fabricated, will be presented to prove this, and, less likely, there may be discovered some vague connections with Communist activity, the real motive behind the move was the preservation of the monarchy and the Shah dynasty in its absolute form. Although the King protests that the decision was his alone, we are convinced that it was aided and urged by the group around him, which may also have misled him. This group includes members of his and his wife's family, remaining Class A Ranas, hereditary Generals and reactionaries and "feudal remnants" generally, who, themselves, are concerned over the survival of their privileged positions. Added to these forces are those land owners and others who stood to suffer financially from the enforcement of the recent tax and land reform laws.

The King's method of seizing power is consistent with Nepalese history. Confident of the Army's complete loyalty (without which he would have failed and which he may not have in the next crisis), he acted with great secrecy and superb organization. He waited for the moment when all of his Ministers except those three who were out of the country were assembled at one place and when the Commander-in-Chief of the Indian Army was on an official visit to Nepal and when troop movements of various kinds would cause no special comment because they would be associated with the visit. This coup differed from previous sudden changes in government in that the cabinet was arrested *before* the King's proclamation dismissing the Government and dissolving parliament.

The King has solved his immediate problem—that of disposing of B. P. Koirala and the Nepali Congress. However, by doing so he has created a new set of problems and it is characteristic that in solving the first one he seems to have failed to anticipate solutions to the consequent ones. One of the major problems he now faces is what to do with Koirala and the leaders of Nepali Congress. If he lets them go they will be in open, avowed hostility to him and his family and will lose no time in forming a revolutionary party and plotting direct action. If he executes them he faces shocked disapprobation of all Western countries and especially India. A third possibility, which is the course we think he will follow, is to hold these people indefinitely—until he is able to feel secure against them, and some of them may be prosecuted.

Another, perhaps more serious problem is whom to select to be members of his new Council, who, in effect, with him will run the administration of Government. He says he will seek the best men, party considerations aside, and that he is in the process of making this selection now. But who is there available who has the necessary ability, training and intelligence to take on the tasks of running the country? He has tried this before and has not succeeded any better than the Ministers he has successively dismissed. It is difficult to think of someone who would subject himself now to the King's prodding—and possible arrest. Finally, the King must, in the long run, provide revenue in the form of taxes and he must, if the country is to progress, broaden the tax base. Unless these unpopular measures are taken the country will continue to be dependent solely on foreign aid with no prospect in view of the country itself contributing to its own development.

We believe that the King will find it impossible to provide solutions to these problems and that despite his high hopes, his new government, after some months perhaps of riding the wave of popularity engendered by the enthusiasm of those who now believe they will never have to pay taxes, will become more and more bogged down. The result may be disastrous [*1½ lines of source text not declassified*].

For the short run we foresee the probability of a fairly quiet interlude while the King and his Council try to consolidate their position, try to "get things done" which will please the people and improve on the Nepali Congress efforts.³

Henry E. Stebbins

³ On December 20, Allen Dulles briefly discussed recent developments in Nepal (and Ethiopia) during his intelligence briefing of the National Security Council: "Mr. Dulles reported that the King of Nepal had arrested the members of the Cabinet because they were too progressive [*1½ lines of source text not declassified*]. Nepal may now be going back to a more archaic form of government. Mr. Dulles said no anti-Americanism was involved in either revolt." (Memorandum of discussion by Marion W. Boggs; Eisenhower Library, Whitman File, NSC Records)

PAKISTAN

U.S. POLITICAL, MILITARY, AND ECONOMIC RELATIONS WITH PAKISTAN; PRESIDENT EISENHOWER'S VISIT TO PAKISTAN¹

291. Editorial Note

In early January 1958, Ambassador James M. Langley entered into high-level discussions with Pakistani leaders with regard to the proposed establishment in Peshawar of a [*less than 1 line of text not declassified*] communications facility to be operated by U.S. officials. The establishment of the facility had been requested by the Department of Defense and concurred in by the Department of State. After lengthy negotiations, Pakistan and the United States reached an agreement for the establishment of the communications unit on July 18, 1959; for text of the agreement, which was signed in Karachi by Ambassador Langley and Foreign Minister Manzur Qadir, see 10 UST 1366. Extensive documentation concerning the negotiation of the agreement, operation of the facility, and related matters is in Department of State, Central Files 711.56390D for 1958 and 1959 and 711.551 and 790.56311 for 1960.

¹ Continued from *Foreign Relations, 1955-1957*, vol. VIII, pp. 410 ff.

292. Telegram From the Embassy in Pakistan to the Department of State¹

Karachi, January 2, 1958—3 p.m.

1563. Department pass ICA and Defense. Paris pass EUCOM, Thurston, and DEFREP NAMA. Deptel 1590.² January 2 I discussed substance 1590 with President Mirza orally, then presented to him letter classified secret which outlined my remarks. Mirza read letter and said he agreed entirely. We discussed areas Pakistan Government which should be cut in and Mirza called Secretary and directed copies my letter be sent General Ayub, Army CC, Prime Minister Noon and Amjad Ali, Finance Minister. Mirza dictated letters of transmittal indicating his approval and asking concurrence immediately in order indicated time schedule be kept. Mirza's letter to Finance Minister he directed to Secretary because Amjad in London with ill son, not known when he will return Karachi, with instructions my letter not be shown to anyone but Amjad upon return. This precaution against letter falling into Minister Das's³ hands. Das, a Hindu, Mirza distrusts.

Text my letter follows:

"Dear Mr. President:

"If I remain in Pakistan for a normal tour, the USG will have completed funding of its existing military aid commitments to Pakistan before I leave.⁴ The question therefore arises as to what form and how much military aid should and can be extended by the US to Pakistan in the years just ahead.

"The MAAG complement in Pakistan is too small and does not have the qualified personnel to undertake a thorough study of continuing costs of the Pakistan military program, on the basis of which an analysis of future requirements for military aid and defense support, as

¹ Source: Department of State, Central Files, 790D.5–MSP/1–258. Secret. Repeated to Paris.

² Telegram 1590, December 26, a joint State–ICA–Defense message, reads in part as follows:

"Unless you perceive objections request you approach President Mirza with view obtaining agreement GOP cooperate actively and in its own interest with USG in detailed study current and recurring costs (both foreign and domestic) military program Pakistan for which purposes US desires send technical costing team to Pakistan. Should be explained that purpose will be solely factfinding and analytical and will not encompass changes in strategic concepts or possible additional aid desired by GOP. Obviously necessary have accurate assessment burden present program on both Pakistan and US prior to consideration such matters." (*Ibid.*, 790D.5–MSP/12–2657)

³ A. Kumar Das, Minister of State in the Ministry of Commerce.

⁴ U.S. military commitments to Pakistan were undertaken under a Mutual Defense Assistance Agreement, signed at Karachi on May 19, 1954, and an aide-mémoire, dated October 21, 1954. For text of the agreement, see 5 UST 852; for text of the aide-mémoire, see *Foreign Relations, 1952–1954*, vol. xi, Part 2, pp. 1869–1871.

well as the impact of the military program upon Pakistan economy, can be determined. Because that is so I have been in correspondence with my government for some months and now have assurances that if the GOP thinks it desirable the US could send to Pakistan a technical costing team, to be assisted by the MAAG staff in consultation with the Ambassador and USOM, to make such a study.

"The purpose of such a study would be solely fact-finding and analytical and would not encompass changes in strategic concepts or the possibility of greater or less aid. Each government would be free to draw its own conclusions from such an accurate assessment of the burden of Pakistan's current and recurring military costs, both foreign and domestic. It would greatly assist me in making future recommendations as to military assistance to Pakistan.

"With the aid of a technical costing team such a study would not require much time, especially if it has the full cooperation of the Pakistan governmental agencies which would benefit from it. It would ascertain the costs of the existing military establishment and estimate future costs for a period at least through 1960. The study would, presumably cover such matters as prospective deliveries of equipment from whatever source, specified level of equipment, maintenance and operation, training and overall readiness, projected organization of mutual assistance-supported forces and other forces the GOP has plans to support, and prospective bases and facilities available to Pakistan military forces. The costs could be assessed in both financial and physical resource terms.

"If the GOP believes such a study is not only desirable but imperative for sound planning and budget making in the immediate future, I am assured an advance party from the costing team could come to Pakistan as soon as early February for a week or two of discussions with the Embassy and the GOP concerning agreement on the concept and coverage of the study. Following that, probably a month should be allowed during which the GOP and Embassy staffs could do the preliminary work preparatory to arrival of the costing team itself, perhaps about March 15, for a three or four week stay.

"On the US side such timing would fit in with the necessity of arriving at conclusions as to the future form and size of assistance to the Pakistan military effort for purposes of budget presentation. I believe the study would be equally valuable to the GOP for the same purposes.

"I do not think any publicity about such a study is desirable because of the speculations which it might arouse both in Pakistan and in other countries, especially India. I think that if every effort were made within the Pakistan Government to treat the study as a routine technical review desired and sought by the Pakistan military establishment, though financed by the USG, that undesirable publicity could be avoided."⁵

Langley

⁵ In a January 10 letter to Ambassador Langley, President Mirza approved the proposed costing study of Pakistan's defense budget. Langley transmitted Mirza's letter to the Department of State in telegram 1680 from Karachi, January 11. (Department of State, Central Files, 790D.5-MSP/1-1158)

293. Editorial Note

On January 25, Secretary of State Dulles met briefly with Prime Minister Noon in Tehran. Dulles and Noon were enroute to the fourth meeting of the Ministerial Council of the Baghdad Pact, which was to be held in Ankara, January 27–30. A memorandum of their conversation, which dealt primarily with Iran's defense and economic position, reads in part as follows:

"The Secretary expressed interest in a statement made by Mr. Noon that the Soviets had been making offers to Pakistan and asked how these offers were expressed. Mr. Noon replied that the Soviet Ambassador had recently said that if Pakistan would change its policies toward the Baghdad Pact and SEATO, the Soviet Union could extend help to Pakistan just as it had to India. Mr. Noon had replied by saying that the Soviets had seen fit to back India against Pakistan and from his point of view the Indians could keep the Soviets and the Pakistanis would keep the Americans." (Memorandum of conversation by Rountree; Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199)

An advance party of the Department of Defense "Costing Team" was scheduled to arrive in Pakistan on February 27; the full team was scheduled to arrive in mid-March.

294. Memorandum of a Conversation, Ankara, January 30, 1958¹

USDel/MC/19

SUBJECT

Bombers for Pakistan

PARTICIPANTS

The Secretary
William Rountree
Frederick Reinhardt

British Foreign Secretary Lloyd
Sir William Hayter
Mr. Denis Laskey

Mr. Lloyd inquired whether the United States could assist Pakistan in acquiring some bombers through off-shore purchase. The Pakistanis were pressing very hard but it was simply impossible for the United Kingdom to do anything about it, although he would very much like to be able to do something for Mirza and Noon.

¹ Source: Department of State, Central Files, 790D.5622/1-3058. Secret. Drafted by Reinhardt.

Mr. Rountree pointed out that it was one thing for the United Kingdom, having provided bombers for India to do the same thing for Pakistan as a member of the Commonwealth, but for the United States to do so would raise serious political problems.

The Secretary said he did not like India's acquisition of 70 bombers and understood the British had agreed to it only to preclude the Indians buying them from the Soviet Union. He had himself urged Nehru not to buy bombers from Russia.

Mr. Lloyd said the Pakistani claimed the U.S. was facilitating India's purchase of the bombers by extending economic aid to India. The Pakistani were now asking for submarines and he was doing his best to discourage them. Mr. Lloyd did hope, however, the Secretary would think over the question of some bombers for Pakistan.

The Secretary said he would.

295. Telegram From the Embassy in Pakistan to the Department of State¹

Karachi, January 31, 1958—4 p.m.

1890. Further to Embtel 1886.² I have carefully avoided offering any advice to President Mirza on domestic affairs in Pakistan, even on a personal basis, though he gives every indication of willingness to talk with me freely about anything and has once or twice hinted that he would welcome personal advice.

Since forced resignation Suhrawardy³ signs have increased that Mirza is trying establish control government with combination of ML, republicans who believe in separate electorates, and enough others among smaller splinter parties who also believe in separate electorates to provide majority in National Assembly.

It is doubtful if such separate electorate majority actually exists, but a phoney one might be created by political intrigue, even to the purchase of a few votes for varying consideration.

¹ Source: Department of State, Central Files, 790D.00/1-3158. Secret; Limit Distribution.

² In telegram 1886, January 31, the Embassy reported that it had been receiving increasing indications of an effort to undermine the present Pakistani coalition government. It reiterated its belief that the coalition would somehow manage to surmount its "inherent inconsistencies," but suggested that another government crisis could occur within the next few weeks. (*Ibid.*, 790D.00/1-3158)

³ Former Prime Minister H. S. Suhrawardy resigned on October 11, 1957.

I believe there some danger Mirza's efforts might bring down present coalition. In that event formation new coalition would be most difficult as most of possible combinations have been tried. Possibility of imposition of Presidential rule under emergency powers in constitution would be increased. Holding of elections might be postponed. President's own political stock would fall rather than rise.

As wobbly as the present coalition is and as weak as the present Prime Minister is, I believe that if the present government can be preserved until elections have been held it is in the national interests of Pakistan and very much in the interests of international stability. Actually, the stronger leaders in this country are all participating in formulation of policies of the government through the present ruling combination. Even though Mirza and Suhrawardy may not be on speaking terms, they are at least providing desirable checks upon each other.

I would like the Department's reaction to the possibility of my talking a little more freely with Mirza about this situation with a view to indicating discreetly and on a personal basis my fears of the complications for sake of yet another political crisis at this time and my view that the sooner elections can be held on a joint electorates basis the better. Mirza has not publicly, or even privately to me, said he is for separate electorates. I believe his personal political stock would benefit most if he does not get boxed in by such advocacy and if he refrains from actions which could justify charges that he had torpedoed present coalition.

Will also discuss with Rountree.⁴

Langley

⁴ Assistant Secretary Rountree was scheduled to visit Pakistan, February 4–7, as part of a trip to Greece, India, and Ceylon following the Baghdad Pact conference. Documentation on Rountree's trip is in Department of State, Central File 110.15–RO.

296. **Telegram From the Department of State to the Embassy in Pakistan¹**

Washington, February 4, 1958—12:55 p.m.

1966. Embtel 1890.² Department concurs in Embassy view demise present coalition government might have unfortunate results. Believe prospects for orderly evolution toward more stable constitutional government in Pakistan would be diminished should general elections be postponed or extraordinary executive powers be invoked for anything other than short pre-election period. In absence any apparent possibility direct cooperation between Mirza and Suhrawardy, believe it desirable they each maintain positions in which they could be encouraged contribute constructively to further development constitutional processes in coming months. Despite their respective shortcomings, their differences in temperament and outlook (e.g., on importance democratic institutions and processes) and their personal antipathies, believe each has potential for major contributions achievement stable representative government.

In present situation believe Ambassador should proceed cautiously in discussing such questions with Mirza. Department gratified Ambassador–Mirza rapport which permits useful exchanges of views; however, believe USG must as matter of principle avoid any semblance tutelage of Pakistani leadership.

Long-range US policy interests best served if this leadership develops capacity and habit make own decisions in important matters national policy with US and other friends playing role occasional counselor rather than constant mentor. Department believes this reflects Ambassador's approach.

Above reflects Departmental interpretation NSC 5701³ as applicable present circumstances.

Should opportunity arise Ambassador authorized express to Mirza his concern that another disruptive political crisis at this time would be unfortunate. Mirza should be enabled draw inference that USG believes its interests in Pakistan are tied to political stability per se rather than to political future any particular Pakistani leader or

¹ Source: Department of State, Central Files, 790D.00/1-3158. Secret; Priority; Limit Distribution. Drafted by Garrett H. Soulen and John M. Howison and approved by J. Lampton Berry.

² *Supra.*

³ NSC 5701, "U.S. Policy Toward South Asia," was approved by the President on January 10, 1957; see *Foreign Relations, 1955-1957*, vol. VIII, pp. 29-43.

leaders. USG should avoid taking any position on such sensitive, strictly domestic questions as joint-versus-separate electorates or one-unit.

Dulles

297. Telegram From the Embassy in Pakistan to the Department of State¹

Karachi, February 6, 1958—6 p.m.

1941. I called on Prime Minister Noon at his request ostensibly to discuss another matter February 6, but for 30 minutes was importuned to fulfill US agreement in aide-mémoire of late 1954² to provide GOP with 20 bombers “promised within three and one-half years, and which are nearly up”.³

Present with Noon were Air Vice Marshal Khan and Defense Secretary Ali Asghar. Noon did the talking.

He stressed several times our failure to keep our promise in this respect, but admitted we had done so in most other aspects of the aide-mémoire commitments.

Noon asked if the US would sell GOP bombers. I replied I did not know, but did not think so. He replied that if I had answered otherwise I would be as bad as the British, whom he berated for their sale of bombers to India and their putting of mercenary considerations foremost. He added GOP was considering withdrawing from Commonwealth because of unequal treatment of members. Noon, backed by Khan, said GOP wanted American bombers, not British, because if

¹ Source: Department of State, Central Files, 790D.5622/2–658. Secret. Repeated to New Delhi.

² See footnote 4, Document 292.

³ Army Chief of Staff General Maxwell D. Taylor, who was in Pakistan, January 17–19, as part of a trip to Europe, the Middle East, and South Asia, discussed the light bomber squadron with Pakistani officials. In MAAGPAK 9–24 from Karachi, January 20, he informed General Nathan F. Twining as follows: “During my calls in Karachi on Pres Mirza, P M Noon, and Gen Ayub, all urged an early delivery to Pakistan of squadron of light bombers presently included in JCS force goals. Based on USAF advice as to availability, MAAG is deterred from programming these bombers before 1960. Understand you are aware of problem. In my view, it would be very helpful if delivery could be advanced. Even a partial shipment if made quickly would be to our advantage.” (Washington National Records Center, JCS Records, CCS.092 Pakistan (8–23–46))

they had latter they would never get spare parts anyway, and logistics, etc., would be simpler with all American equipment in their armed services.

I reminded Noon that General Truman, Chief MAAG, had recommended scheduling bombers according to aide-mémoire but that decision otherwise had been made in Washington. Noon said US in this had thought more of India than of Pakistan. I said I believed a major consideration may have been the actual lack of sufficient bombers beyond our own great needs to supply other nations, and pointed out Dulles' promise of assistance in event Pakistan was attacked as one reason we had to maintain large and flexible Air Force.⁴

I promised to report his demands (they were virtually that).

Vice Marshal Khan said some transport planes had also been promised in the aide-mémoire, but that the Pakistan Air Force could make the old ones it possessed do for some time. His only contribution to the Noon barrage on bombers was to point out to the Prime Minister that it would take probably 18 months between approval of supply of bombers before their delivery, with training of crews necessary in the interim.

I reminded Noon of Macmillan's remark that the Indians were more afraid of Pakistan than the Pakistanis were of India and said I did not believe India would attack Pakistan. I said I believed India, which may at one time have had thoughts of annexing all or part of Pakistan, had decided it had troubles enough of its own without adding the problems of Pakistan to them.⁵

Langley

⁴ Dulles made this promise during a meeting in Washington with then Foreign Minister Noon; for a summary of that conversation, see *Foreign Relations, 1955-1957*, vol. VIII, p. 157.

⁵ On February 10, Prime Minister Noon again raised the question of the U.S. agreement to supply bombers to Pakistan during a meeting with Ambassador Langley and Henry Cabot Lodge, U.S. Representative at the United Nations. A memorandum of this conversation was transmitted to the Department as an enclosure to despatch 703, February 13. (Department of State, Central Files, 790D.5622/2-1358) In a memorandum to President Eisenhower, dated February 20, Lodge recommended that the United States fulfill its promise to provide Pakistan with 20 bombers. (*Ibid.*, 310.311/2-2158) Regarding Lodge's trip to Pakistan, see Document 13.

**298. Memorandum of a Conversation, Department of State,
Washington, March 7, 1958¹**

SUBJECT

US Commitment to Supply Light Bombers to Pakistan

PARTICIPANTS

NEA—Assistant Secretary William M. Rountree
Mohammed Ali, Ambassador of Pakistan
Prince Aly Khan, Pakistan's Permanent Representative to the UN
Mr. Agha Shahi, Minister-Counselor, Pakistan Embassy
Mr. M. S. Shaikh, Counselor, Pakistan Embassy
SOA—Garrett H. Soulen

Pakistan's Ambassador called at his initiative; one of the subjects he wished to discuss was Pakistan's need for early delivery of the light bombers promised under the U.S.–Pakistan 1954 Military Aid Agreement. The Ambassador stated there had been an unfortunate delay in the delivery of those aircraft.

Mr. Rountree stated that there had been no delay, that the bombers are scheduled for 1960. He informed the Ambassador that the question of bombers for Pakistan was discussed by the Secretary with Prime Minister Noon, as well as with Selwyn Lloyd at the recent Ankara Baghdad Pact meeting.² He told the Ambassador that as a result of Mr. Noon's urgings for early delivery the Department was reviewing the entire problem.

Prince Aly Khan pointed out that if bombers were budgeted for 1960, delivery would not occur until a year and a half later, further time would be required for crew training, etc., and that the military balance in South Asia had already been upset by India's acquisition of Canberra bombers. The Ambassador stated there was real anxiety in Karachi over that state of affairs. Mr. Rountree reiterated that the problem was being actively considered and he hoped to have something more definite to pass on to the Ambassador in the near future.³

¹ Source: Department of State, Central Files, 790D.5622/3–758. Secret. Drafted by Soulen on March 10.

² See Document 294.

³ In telegram 1053 from USUN, March 20, Ambassador Lodge reported that Aly Khan called on him and again raised the matter of the 20 bombers for Pakistan. "It was his personal opinion," Lodge stated, "if U.S. could make public statement U.S. will come to Pakistan's aid if attacked, it might well eliminate present clamor for bombers which he said was brought about by fear of aggression from India because of India's large Air Force." (Department of State, Central Files, 690D.91/3–2058)

299. Telegram From the Department of State to the Embassy in Pakistan¹

Washington, March 11, 1958—6:27 p.m.

2293. At Ankara Noon raised with Secretary possibility USG buying Pakistan's exportable surplus cotton which he estimated 700,000 tons.² You may inform Noon:

(a) Department has carefully looked into matter as Secretary promised;

(b) Information available to Department and Embassy, subject GOP correction, indicates no burdensome surplus Pak cotton at present time;

(c) Because its own cotton problems, USG regrets it not in position buy exportable surplus cotton from any country;

(d) In informal manner and as appropriate Department and Embassy officials will continue try to provide helpful advice to permit GOP retain and strengthen various aspects its trade ties with free world.

Herter

¹ Source: Department of State, Central Files, 890D.2321/3-1158. Secret. Drafted by Henry W. Spielman and approved by Rountree.

² The meeting took place on January 28. (Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199)

300. Memorandum of a Conversation Between the Deputy Director of the Office of South Asian Affairs (Meyer) and the Chief Delegate of Pakistan to the SEATO Council Meeting (Qizilbash), Manila, March 11, 1958, 7:30 p.m.¹

SUBJECT

Pakistani Criticisms of U.S.

I spoke with the Pakistani Chief Delegate H. E. Ali Khan Qizilbash about: (a) Pakistan Prime Minister Noon's reported threats to withdraw from the Baghdad Pact and SEATO and "embrace Communism" unless Pakistan's hopes re Kashmir and more foreign aid

¹ Source: Department of State, Conference Files: Lot 63 D 123, CF 989. Confidential. Drafted by Meyer. The source text indicates that the meeting took place at the Filipinas Hotel. Meyer and Qizilbash were in Manila for the fourth SEATO Council Meeting, March 11-13.

were catered to;² and (b) Mr. Qizilbash's two speeches on the opening day of the present SEATO meeting replete with complaints re the inadequacy of (U.S.) aid, particularly when considered in the light of recent U.S. aid to neutralist India.³ Re (a), I indicated that we were quite surprised by Noon's reported line which was not consonant with the tenor of his conversations with the Secretary and other American officials. Re (b), I asked Mr. Qizilbash what he thought the Government of Pakistan would gain in its efforts for a happy solution to Kashmir and for more foreign assistance by antagonizing its traditional friend, the United States. Noting that his speech emphasized the inadequacies of (U.S.) aid, I asked Mr. Qizilbash to state exactly how much assistance Pakistan is actually receiving from the United States. He was somewhat embarrassed to admit that he had no idea of the extent of U.S. aid and was quite impressed when I informed him that in Mr. Noon's own words, the United States is supplying almost 40% of the Pakistan Government's total annual expenditures. I also pointed out that by resorting to demagogic flag-waving for domestic political purposes, both Messrs. Noon and Qizilbash were following a dangerous course, for the wealthy landlord class which they represent would not survive long when the street elements they were inevitably stirring up would take over.

By the end of the rather lengthy and certainly frank discussion, Mr. Qizilbash appeared to be somewhat penitent. We concluded with the greatest of amicability, and he welcomed, apparently sincerely, the frankness of the discussion. At his suggestion, it was agreed that four things would be done:

1) He would provide us with the complete text of the Noon remarks of March 8;

2) He would call last night a meeting of his delegation and "rip up" four more speeches which were to have been delivered during the rest of the current SEATO meeting and which would have been in the same vein as those of yesterday;

3) I would seek to gain an interview for him with the Secretary so that he could explain Pakistan's faithfulness to us and also its concern that India will cut off its water; and

4) He would telegraph Mr. Noon to issue a statement correcting the bad impression made by the March 8 remarks.⁴

² Noon made those threats in a speech on March 8 before the Pakistani National Assembly. Copies of the Prime Minister's speech were transmitted to the Department of State in despatch 806 from Karachi, March 12. (*Ibid.*, Central Files, 690D.00/3-1258)

³ The texts of Qizilbash's speeches are *ibid.*, Conference Files: Lot 63 D 123, CF 981.

⁴ A summary of this conversation was transmitted to the Department in Secto 37 from Manila, March 13. (*Ibid.*, Conference Files, CF 99D)

301. Telegram From the Department of State to the Embassy in Pakistan¹

Washington, March 21, 1958—7:57 p.m.

2393. Within last two months GOP representatives have urged US officials in Ankara, Karachi and Washington to expedite delivery of squadron (twenty) light bombers covered as a commitment in 1954 US-Pak military agreement. These presently "programmed" for FY 1960. Actually completion of delivery would require additional 18-24 months after firm "programming". Pakistanis also have been trying obtain bombers from UK.

Department reluctant request Defense speed up programming at this time because: 1) it might be interpreted as yielding Noon's blackmailing speech of March 8 though presumably this danger would be lessened if announcement of advancement bomber programming made after lapse of certain amount of time and made to Mirza rather than Noon; 2) no US reassessment in relation Soviet bloc available to justify speed-up; 3) Paks have made it too abundantly clear bombers' speed-up directed against India, not Commie bloc; and 4) under above circumstances GOI could be expected misunderstand USG's motivation. On other hand we believe US-Pak relations have deteriorated recently due cumulative effect several recent US actions, such as: substantial aid to India, negative reaction re bomber question itself, costing study which GOP apparently assumes implies future reductions in US military aid, our criticism of Pak agricultural efforts, our attitude on Karnafuli and Ganges Kobadah, etc. Also contributing to Pak discontent have been: sale 73 Canberras (plus tanks etc) by UK to GOI, frustration over Kashmir, and belief that India planning "death trap" for Pakistan in 1961 through diversion Indus waters.

In order reach sound decision re immediate question of bomber speed-up, Department would appreciate: 1) Delhi's comment re effect of such speed-up, if any, on US position in India. This necessarily must preclude discussions with GOI, who should theoretically not know terms of 1954 military agreement. 2) London's opinion re possibility of UKG's providing bombers as gift or on very easy credit terms. 3) Karachi's comment (without discussions GOP) on: a) GOP's reaction (including Mirza and Pak military) if USG should attempt encourage UKG supply bombers instead of US doing so under 1954 agreement. b) GOP's reaction under above circumstances if USG

¹ Source: Department of State, Central Files, 790D.5622/3-2158. Secret. Drafted by Bartlett and approved by Rountree. Also sent to New Delhi and London.

would in addition endeavor substitute other US assistance in lieu of US bombers.²

Dulles

² In telegram 2375 from Karachi, March 25, the Embassy replied in part as follows: "We very much fear that concession to Pakistanis re bombers would constitute palliative which would only satisfy Pakistanis temporarily, give them the impression that we are accepting Indian threat as justification for US aid and simultaneously cause adverse reaction in Delhi out of proportion to temporary benefits gained Karachi. We say temporary because we assume USG will sooner or later, and we hope sooner, take positive steps arrest Pakistan-Indian arms race."

The Embassy added that it believed the most desirable course of action would be to pursue the proposed "package deal" approach in an effort to lesson tensions between Pakistan and India. (*Ibid.*, 790D.5622/3–2558) Regarding the "package deal," see Documents 7 ff.

In telegram 2463 from New Delhi, March 27, the Embassy pointed out that U.S. acceleration of the delivery of bombers to Pakistan would cause a "highly unfavorable" Indian reaction. (*Ibid.*, 790D.5622/3–2758)

302. Memorandum From the Director of the Office of South Asian Affairs (Bartlett) to the Assistant Secretary of State for Near Eastern, South Asian, and African Affairs (Rountree)¹

Washington, March 26, 1958.

SUBJECT

Status of Pakistan Economic Assistance Projects

As you are aware, SOA has been attempting to obtain early approval of a significant DLF program for Pakistan to offset the reaction in that country to the announcement of additional aid to India. A number of reports from Pakistan, including the recent speech of Prime Minister Noon, has lent added urgency to such action.

Despite our efforts extending over several months, only two Pakistan DLF projects amounting to approximately \$10 million are now close to approval. Pakistan's major projects remain stalled by technical problems in ICA and DLF. In a further effort to spur action, I met yesterday with Mr. John Bell and his staff to express our concern once again and to ascertain more fully the reasons for continued delay. The situation of the major projects is set forth briefly below:

¹ Source: Department of State, Central Files, 890D.00/3–2658. Confidential. Drafted by Rufus Burr Smith.

1. *Ganges Kobadak*. Embassy Karachi has urged strongly that a decision be made by the U.S. to finance pumping structures necessary to progress on the first phase of this major East Pakistan irrigation project despite lack of positive technical judgement that the project is economically sound or of an engineering plan for the structures. They base their position on the long delay by the U.S. in reaching a decision and the political importance of the project to the East Pakistan Government.

ICA reports that the engineering study, which should have provided plans for the pumping structures, was so poorly done by Jenks and Ballou that it provided no basis for decision. They hope to have the Tudor Engineering Company complete its report on the over-all feasibility of the project and on detailed pumping plans in three to four months at which time a decision can be made. ICA points out that much of the delay is due to poor preliminary work by Pakistan, although admitting the weak performance of the most recent U.S. engineers. However, in view of the negative Jenks and Ballou report and the lack of engineering plans on which to make a contract, they see no alternative to awaiting further study results. It is also noted that even if a decision to go forward were made today, construction would require at least two years and the project would contribute little positive support for the East Pakistan Government in the coming elections.

2. *Karnafuli*. This power and irrigation project is the second major undertaking in East Pakistan. It was anticipated that it would receive early DLF approval as a continuing project to which \$20 million of U.S. aid has been devoted already. However, it was discovered that the dam, as planned, will flood some Indian territory. Action is delayed until this problem can be resolved.

It is agreed between ICA and ourselves that Embassies Karachi and New Delhi will approach their respective governments immediately to get them to agree between themselves on an interim basis to let work proceed while concurrently studying the extent of flooding and the compensation required. Rapid action is required since costs continue at \$100,000 per month, even if construction is halted.

3. *Tubewells*. Pakistan has requested DLF aid in constructing some 1,800 tubewells in a first step to alleviate waterlogging and salinity which are rendering useless agricultural land in West Pakistan. In view of Pakistan's food problem, this is a very high priority project.

ICA has been doing experimental work on tubewells and the underlying ground water problem in Pakistan for several years. They expect a full report on this work, promised by the end of March, which will furnish the technical basis for project approval.

4. *Richards' Commitment for Fertilizer Plants*. ICA has not yet released to Pakistan the \$10 million pledged by Ambassador Richards

for the construction of fertilizer plants.² You will recall that this commitment has had a long, confused history, beginning with the conflict between ICA and Pakistan as to whether the plants should be built in the public or private sector. Having resolved this issue, ICA has spent months in a technical consideration of means of waiving administrative requirements to permit them to assign money to contracts already entered into by the Government of Pakistan. Since January 1, ICA has been engaged in an exchange of correspondence on this matter with their Mission in Karachi. They are unwilling to take action until receiving an answer to their latest questions.³

² Reference is to a commitment made by Ambassador James P. Richards to Pakistani officials in March 1957. Richards visited Pakistan, March 27–31, 1957, as part of a trip to 15 countries in the Middle East, South Asia, and Africa, in order to explain President Eisenhower's proposals regarding economic and military assistance to those countries.

³ On April 15, ICA Director James H. Smith, Jr. sent a memorandum to Deputy Under Secretary C. Douglas Dillon, requesting the Department of State to proceed with the fertilizer project. (Department of State, Central Files, 790D.5–MSP/4–1558) On April 23, Dillon replied that "in view of the overriding political consideration involved," means had been found to implement the Richards commitment. (*Ibid.*, 790D.5–MSP/4–1558)

303. Memorandum of a Conversation, Department of State, Washington, March 27, 1958¹

SUBJECT

Pakistan Prime Minister Noon's March 8 Public Speech

PARTICIPANTS

Mr. Mohammed Ali, Ambassador of Pakistan
 Mr. M. S. Shaikh, Counselor, Pakistan Embassy
 NEA—Mr. Rountree
 SOA—Garrett H. Soulen

The Ambassador called at his initiative and among various subjects discussed the background of Mr. Noon's foreign policy remarks in the National Assembly on March 8.²

He pointed out that Mr. Noon had made a very fine, pro-West speech on March 6 but that under extreme "badgering" by the opposition he had said things on March 8 which might have been misinter-

¹ Source: Department of State, Central Files, 790D.00/3–2758. Confidential. Drafted by Soulen on March 28. See also *infra*.

² See footnote 2, Document 300.

preted in the US. The Ambassador excused such statements as resulting from harassment and as reflecting a proclivity on the part of Mr. Noon to take extreme positions from which he would later resile [*recede*]. He stated that Noon's remarks did reflect the frustrations and exasperations of the people and that for the time being, Mr. Noon would have to go along with the political current in Pakistan.

In response, Mr. Rountree stated that he knew Mr. Noon very well and appreciated his abilities as a statesman. He had no doubts as to which side Mr. Noon was on and could understand the frustrations referred to. However, even though the remarks might reflect certain feelings of the Pakistani people, it was, nevertheless, true that they had not been articulated before by a high Pakistani official; the political currents to which the Ambassador alluded had been created by this particular speech. He also pointed out that the record, as of now, showed that Noon had made certain statements which had been interpreted in some US circles as inimical to US interests; those statements had not been refuted. Mr. Rountree pointed out that his concern was not only with the adverse reaction in the US but primarily with the favorable reaction which Noon's statements had engendered throughout Pakistan.

The Ambassador closed the discussion with a recounting of a speech he had made in the US on March 21 which reflected Pakistan's pro-West orientation and mentioned the March 25 interview which President Mirza had given a United Press correspondent which reiterated Pakistan's "firm adherence to the integrity and ideology of the free world."

**304. Memorandum of a Conversation, Department of State,
Washington, March 27, 1958¹**

SUBJECT

The Light Bomber Squadron and US Military Aid to Pakistan

PARTICIPANTS

Mr. Mohammed Ali, Ambassador of Pakistan
Mr. M. S. Shaikh, Counselor, Pakistan Embassy
NEA—William M. Rountree
SOA—Garrett H. Soulen

¹ Source: Department of State, Central Files, 790D.5622/3-2758. Confidential. Drafted by Soulen on March 28. See also *supra*.

The Pakistan Ambassador called at his initiative. Future US Military Aid to Pakistan and the question of a light bomber squadron were among several subjects discussed.

The Ambassador, under instructions, asked for clarification of US intentions regarding the supply of a light bomber squadron to Pakistan under the 1954 agreement and of military aid to Pakistan after 1959. In this connection, he drew Mr. Rountree's attention to a report in the press ("Times of India") of an alleged statement by Secretary Dulles to India's Vice President Radhakrishnan: "The US has supplied no bombers to Pakistan under its Military Aid Pact and there is no intention to supply any".² The Ambassador stated that General Truman (Chief of MAAG in Pakistan) in a discussion with Prime Minister Noon had intimated that the Military Aid program was to end in 1959; therefore, the bomber squadron was not likely to be delivered. From that discussion the Prime Minister had inferred that the Military Aid program would come to an abrupt halt in 1959 and he wished to ascertain US intentions.

In response, Mr. Rountree stated that the alleged statement published in the "Times of India" had been brought to the Department's attention by Reuters' Washington office and that Reuters had been told: "The substance of future US programs to other countries, or US intentions in that regard, were not discussed by the Secretary". Mr. Rountree pointed out that we did not discuss bilateral military aid agreements with third countries. In regard to General Truman's remarks, Mr. Rountree said that he could not comment because he did not know what actually had been said. However, he wished to reiterate the intent of the USG to program the light bomber squadron for Pakistan which, as understood by both the GOP and the USG, was not to occur prior to fiscal year 1960. In answer to a query, Mr. Rountree stated that the anticipated completion of deliveries of military hardware in 1959, fulfilling our 1954 commitment with the exception of the light bomber squadron, would not mean a cessation of US military aid to Pakistan. In answer to further queries, Mr. Rountree informed the Ambassador that our 1954 military aid agreement with Pakistan had no parallel in any other NEA country. Not even in Turkey had we made a long range commitment such as had been granted the Government of Pakistan in our 1954 commitment.³

² Radhakrishnan was in the United States for an unofficial visit, March 18–19. Regarding his visit and Dulles' alleged statement, see Documents 22 and 207.

³ On April 11, Mohammed Ali again met with Rountree to discuss, among other matters, Pakistan's interest in acquiring light bombers from the United States. (Memorandum of conversation by Soulen, April 14; Department of State, Central Files, 790D.5–MSP/4–1158)

305. Letter From the Ambassador in Pakistan (Langley) to the Secretary of State¹

Karachi, April 3, 1958.

DEAR MR. SECRETARY: On April 2 I delivered two documents to Prime Minister Noon, a note on the Karnafuli dam project,² and your reply to the Prime Minister's recent letter to you about Pakistan recognizing the United Arab States.

The Prime Minister reached for your letter first, saying as he opened it, "My God, is he going to give me Hell?"

Noon at last has something of a guilty conscience about his March 8 speech. He promised me he would read what he said extemporaneously, which he had not yet done.

The severe beating the United States has been taking here, inspired by Noon's speech, seems to be passing its peak. This has been a second and worse wave, the first having been triggered by announcement of United States loans to India and nourished by recent events in the Middle East, plus mounting internal economic and political difficulties.

I anticipate no real shift in the foreign policies of Pakistan, but think we will have to endure considerable anti-West talk in the context of a general clamor by parties and candidates for a change during the election campaign, already in progress.

Sincerely yours,

James M. Langley

¹ Source: Department of State, Central Files, 611.90D/4-358. Confidential; Official-Informal.

² Text of the Department's note on the Karnafuli dam project was transmitted in telegram 2497 to Karachi, April 1. (*Ibid.*, 890D.2614/4-158)

306. Telegram From the Mission at the United Nations to the Department of State¹

New York, April 25, 1958—7 p.m.

1216. Re Pakistan-US relations.

¹ Source: Department of State, Central Files, 611.90D/4-2558. Secret.

1. Aly Khan called to see me today on instructions from Khan Noon. He read from letter from Khan Noon which asked him to urge me to help obtain further US guarantees for Pakistan's borders.

2. Khan Noon said he wanted "formal agreement" with US quaranteeing Pakistan's borders or "formal declaration" by US to same effect.

3. I observed Secretary had given Noon statement last November which Noon had released at that time;² suggested Noon refer to that statement publicly again. Aly Khan said Noon wanted something more formal. I said I would refer question to Washington again but I did not see any possibility of "formal agreement", which I took to mean treaty, being approved by Senate.

4. Aly Khan also urged early delivery bombers promised to Pakistan in aid agreement, referring to recent Indian orders of bombers, fighters, and tanks from UK. I told him I understood Pak Chief of Staff was visiting Washington shortly and assumed question would be taken up by him.

5. He pled for prompt US action on these points on grounds forthcoming elections in which opponents of govt playing up insufficient returns Pak receiving from its alliance with West. He maintained present three leaders Pak (Mirza, Noon and Ayub) were clearly aligned with West and it was necessary their policies bore fruit. If not Pak politicians might move in direction neutralism. I reminded him Noon's recent speech had not been too helpful. He said it was necessary to placate opposition.

6. *Comments:* (a) Please instruct re further reply I should make to Aly Khan on US declaration. (b) Hope that "package proposal"³ will be put to India and Pakistan as rapidly as possible before such pressures from Paks increase even further.

Lodge

² See *Foreign Relations, 1955–1957*, vol. VIII, p. 159, footnote 3.

³ Reference is to the U.S. "package proposal," which sought to achieve a lessening of tensions between Pakistan and India.

307. Editorial Note

On April 28, Finance Minister Syed Amjad Ali arrived in Washington for a series of discussions with U.S. officials on matters of mutual concern. He was accompanied by General Mohammed Ayub Khan, Commander in Chief of the Pakistani Army, and Air Vice Marshal Mohammed Asghar Khan, Commander in Chief of the Pakistani Air Force.

In a conversation with Ambassador Langley on April 14, President Mirza explained that the decision to send Amjad Ali, Ayub Khan, and Asghar Khan to the United States was made at a Pakistani defense conference, presided over by him and attended by Noon, Amjad Ali, and the heads of the military services. Mirza noted that the three Pakistani representatives would seek to undo the great damage which they believed Noon's March 8 speech had done to Pakistan's image in the United States. "Mirza said that at conference Amjad stressed fact discontent with Pakistan widespread across America," Langley reported, "and service chiefs echoed their great disturbance at reactions in US to Noon speech." (Telegram 2540 from Karachi, April 14; Department of State, Central Files, 790D.5-MSP/4-1458)

308. Memorandum of a Conversation, Department of State, Washington, April 29, 1958¹

SUBJECT

The Political Situation in Pakistan and its Reflection on Foreign Policy

PARTICIPANTS

Amjad Ali, Pakistan Finance Minister
 Mohammed Ali, Pakistan Ambassador
 NEA—William M. Rountree

¹ Source: Department of State, Central Files, 790D.00/4-2958. Secret. Drafted by Soulen on March 30. During this meeting, Rountree and Amjad Ali also discussed Pakistan's economic problems and Pakistan's desire for assistance in the construction of a steel mill. Separate memoranda of those conversations, drafted by Smith, are *ibid.*, 890D.00/4-2958 and 890D.331/4-2858, respectively.

In addition to this meeting with Rountree, Amjad Ali also met with Dulles, Dillon, and officials of ICA, DLF, the Export-Import Bank, and the Departments of Agriculture and Commerce. He also held discussions with representatives of the IBRD and the International Monetary Fund. These discussions are summarized in telegram 2857 to Karachi, May 12. (*Ibid.*, 790D.5-MSP/5-1258) A memorandum of the discussion with Dulles, held on April 30, is printed as Documents 30 and 31.

SOA—Rufus Burr Smith
SOA—Garrett H. Soulen

Amjad Ali reviewed at length the political situation in Pakistan, characterizing it as restive. In that context there was and remains continuing antipathy towards Pakistan's foreign policy. This situation obtains both with the people and parliamentarians. The recent parliamentary debates (March) were punctuated with severe criticism of the government on foreign policy issues from which two main points emerged.

(1) The foreign policy of the GOP is not contributing to Muslim unity. (2) Pakistan's alliances are operating to the detriment of Pakistan; witness the large scale external aid which India is receiving and the fact that the Kashmir dispute is no closer to solution than it was years ago.

Speeches hammering on these two main themes were used to harass and badger the government. They were not confined to the opposition alone but included statements from members of the coalition party as well.

Amjad Ali said he had only ten minutes in which to meet these critical speeches in parliament and that he endeavored to point out that Pakistan's alliances had been worthwhile and that a certain amount of Muslim unity had been achieved through the Baghdad Pact.

Amjad Ali claimed that the people's restiveness "is due largely to India's uncompromising attitudes." The people feel that the Indians "are growing even more cantankerous especially as regards the Canal Waters dispute." This hardening attitude towards all of its disputes with Pakistan is being backed by India's large purchases of arms and its continually increasing expenditure on its military establishment. There is real concern in Pakistan that India's intransigence portends belligerent or hostile designs.

As regards the Canal Waters dispute Amjad Ali recounted his discussion with Prime Minister Nehru during which the latter had been patient, had listened, but in effect had refused to discuss the situation. He had pointed out to Nehru that he saw no solution to the Canal Waters problem unless the Kashmir issue was solved. He said, "I got no reaction out of him at all." Amjad Ali expressed his fear that the GOI will merely say "sorry, we intend to use the three eastern rivers" and that any waters from those sources which they might make available to Pakistan would only be given on the basis of Pakistan replacing a like amount from other sources. He stated that while in London, he had seen Sir Gilbert Laithwaite² and had said to him "someday we are going to have to ask you 'what are you going to do if

² U.K. Permanent Under Secretary of State for Commonwealth Relations.

and when India takes that water.” Amjad Ali mentioned the talks now going on in Rome with the World Bank and stated that the Pakistan representatives were proposing a series of alternatives; the basis of each was the necessity for Pakistan to be independent of any Indian control over water to be used by Pakistan. He expressed pessimism that anything constructive would emerge from the Rome discussions. He said his government was now preparing to take the Canal Waters issue to the Security Council with the hope that that body would ask the GOI not to take unilateral action; in other words not to proceed with its construction of headworks and its intent to withdraw water, without the concurrence of the GOP. He expressed a conviction that the good offices of the Bank should be retained and voiced his belief that Security Council action could strengthen the Bank’s position.

He then reverted to India’s arms buildup and mentioned that their annual expenditure was now in the neighborhood of 304 crores of rupees (3,040,000,000) as against Pakistan’s annual expenditure of 100 crores (1,000,000,000). He said, “we believe this buildup is against no one but ourselves” then added his personal opinion “I do not believe India is going to attack us.” He explained his reasoning by stating that “the GOI is in possession of Kashmir and sits in control of the waters; therefore, they can cripple us without going to war. They have also made it clear that if war comes, they will crush us.” Amjad Ali saw only two alternatives for the GOP: (1) to acquiesce to India’s position or (2) go to war. He said that any foreseeable Pakistan government would have to take the second alternative.

He expressed an appreciation of the vast sums which the US was spending in India and Pakistan and stated his understanding that those efforts were not being expended for charity’s sake but were being made to ensure that the large populations of the subcontinent would not fall into the clutches of the communists. He said, “if we fight among ourselves, we will destroy what you are building. The aftermath of such a fight would create a situation which would constitute an open door for the communists.” He said that in the face of this situation Indo-Pak differences had to be settled. He reverted to his discussions with Nehru and stated that he had asked the latter for some fresh thinking on these problems and had pointed out that world statesmen had successfully solved even larger problems. He then recalled that Mr. Rountree while in Karachi (February 1958) had mentioned that the US was thinking along these lines and expressed his sincere hope that the US would continue to give thought and consideration to the end that solutions would be found.

Amjad Ali said that in view of Pakistan’s situation vis-à-vis India, his government had been reviewing the status of its military establishment. Although the army was smaller than its Indian counterpart, it

was of excellent caliber and could give a good account of itself. As regards the navy, he said a decision had been taken to reduce the number of destroyers to six. In speaking of the cruiser (which Pakistan recently purchased from the UK for 500,000 pounds sterling) he stated that it was antiquated, of little use and really of no consequence as a fighting ship. However, in view of its recent acquisition, it would be a serious blow to navy morale if it were scrapped at this time; therefore, they would keep it. As regards the air force, he claimed that Pakistan needed some bombers to act as a deterrent to India. In this connection he said "if you cannot give us those bombers, I will reluctantly have to fork out the money". He stated that if India in its arms buildup had stopped when its military strength was even double that of Pakistan, the GOP would not have been too concerned but, he claimed, "they have gone far beyond and no government can close its eyes to those hard facts".

In discussing the specifics of internal opposition to Pakistan's foreign policy, Amjad Ali pointed out that the new President of the Muslim League, Qayum Khan, was violently attacking the foreign policy, criticizing the President personally, and eulogizing Nasser. He said there were three main groups opposed to collaboration with the West: the Bashani group, the Hindus, and the Ghaffar Khan elements. He excused Prime Minister Noon's March 8 speech as having resulted from harassment and as having been made "off the cuff". He added that had he been Prime Minister, he would have certainly chosen different words and phrases. Amjad Ali reassured Mr. Rountree that Prime Minister Noon is definitely Western orientated; his education and background as well as his convictions do not allow him to be otherwise. He stated that Noon does make snap judgments—some good, some bad—and that often his frankness and bluntness work against the interest which he basically supports.

Mr. Rountree in reply expressed his appreciation for Amjad Ali's thorough résumé. He stated he could not deny a certain amount of surprise and dismay in the US when the Prime Minister's March 8 speech was published. He added that although it is possible to understand certain things being said in the heat of debate it was disquieting to the US that the status of Mr. Noon's remarks remained nearly the same as when they had been uttered; they had not, to his knowledge, been modified by the Prime Minister. He realized, of course, and fully appreciated Mr. Noon's own constructive attitude on international questions. He emphasized that the US recognized clearly that a country's foreign policy must be made in its own self-interest. The US had fully appreciated those aspects of Pakistan's foreign policy which included its membership in regional security organizations and its definite intent to maintain its independence through its own indigenous resources as well as by association with like minded free world na-

tions. Any change from such policies would be received by the US with regret. He reassured Mr. Amjad Ali that there was no weakening in the Executive Branch of the US Government or among the American people in the US intent to continue to help Pakistan. He voiced appreciation for the many difficult problems facing Pakistan and recognized that certain aspects of US policy toward India contributed to those problems. Unfortunately, those were facts of life which we had to work with. The other side of that particular coin was that certain aspects of our policy toward Pakistan created difficulties for and misunderstandings in the Government of India.

As regards aid to India, Mr. Rountree emphasized that it was not only in the US interests but in the interest of the entire free world, including Pakistan, that India's economic development proceed in such manner as to forestall and obviate the possibility that a communist regime be established in India. Such a take-over would be deplorable and in the US opinion would be extremely dangerous for Pakistan. He pointed out that we have participated to a very large degree in Pakistan's economic development and in the strengthening of its military forces. If aid to India were put on a per capita basis, it would be much less than what has been given Pakistan. He offered his personal and frank view that despite statements made in India to the effect that its arms acquisitions were being made primarily to protect India from Pakistan (and the latter's US-supplied arms) he believed that was largely a convenient political justification for India to meet its legitimate arms needs in light of the potential threat of Red China. He stated his belief that even if Indo-Pak relations were satisfactory, India would still maintain a military force comparable in magnitude to its present strength. He expressed the above opinion on the situation as it exists, not on what we would like it to be. In that connection he expressed regret over India spending so much of its foreign exchange on arms when such monies were so badly needed for economic development. He recognized that it was inevitable that the GOP in the face of growing GOI military strength would exercise common prudence and see to its own defenses against all potential dangers, including such danger as it saw in India. He pointed out, however, that our military aid program to Pakistan was not based upon the status of Indo-Pak relations or upon the strength of Indian military forces. Public statements by Pakistan leaders to the effect that their military buildup was vis-à-vis India made it more difficult for the Executive Branch of the government to justify programs which it wished to carry on in Pakistan.

As regards Pakistan's need for light bombers, Mr. Rountree stated that he understood General Ayub was having discussions at the De-

partment of Defense³ and expressed a desire to speak further with Mr. Amjad Ali on that subject at a later date. He said that regardless of the outcome of the General Ayub–Defense talks, he wished to express his great concern, given Pakistan’s economic situation, over any intention of the Government of Pakistan to use its meager foreign exchange by purchasing expensive bombers.

On the Canal Waters dispute, Mr. Rountree expressed his opinion that the GOI announcement of intent re the Rajasthan Canal had been a mistake. He expressed hope that something constructive would emerge from the Rome talks and his trust that no precipitous action would be taken on the Canal Waters issue. He urged that all possible alternatives be fully explored.

Mr. Rountree stated that he wished to consider this an initial talk in a series of discussions which he hoped to have with Mr. Amjad Ali and assured the Finance Minister that the Department wished to be as helpful as possible in achieving the ends for which he came to the US.

Mr. Amjad Ali stated that he had just read in *Dawn* April 24 and 25 where the Prime Minister, in answer to questions, had forcefully reiterated his government’s intent to continue its membership in and cooperation with the Baghdad Pact and SEATO. Nevertheless there existed in Pakistan a deep feeling that its foreign policy must take greater cognizance of Pakistan’s situation vis-à-vis India. Unfortunately most Pakistanis could not understand the high moral aspects of its foreign policy which require Pakistan to stand with the free world even though in so doing it allowed other, non-committed countries to get a “free ride” as far as security was concerned. Pakistanis were prone to look at India, and its position through which it obtains something from both camps, with something akin to envy. It was also a fact that the USSR reversed its policy toward the GOP after the latter had joined the Baghdad Pact and SEATO. That change in policy was manifested when Khrushchev and Bulganin visited India and spoke of Kashmir as being Indian.³ It was later reiterated through the USSR veto in the Security Council on the Kashmir issue.⁴

Mr. Rountree stated that he recognized the problem as being one of the most difficult in foreign affairs. He pointed out that we differ with India on many issues, but we do not want to see it go communist.

³ See *infra*.

³ Nikita S. Khrushchev, First Secretary of the Soviet Communist Party, and Nikolay A. Bulganin, Chairman of the Soviet Council of Ministers, arrived in India on November 19, 1955, for an official 1-month visit. They visited Kashmir, December 9–10, and publicly supported India’s claims to that disputed territory.

⁴ On February 20, 1957, the Soviet Union vetoed a draft resolution on Kashmir, jointly sponsored by the United States, the United Kingdom, Australia, and Cuba.

In the process of our trying to work with that problem, he stated that Pakistan should be assured that its legitimate interest would be kept fully in mind.

309. Memorandum for the Record of a Meeting, Washington, April 29, 1958, 3 p.m.¹

SUBJECT

Meeting of Pakistani Representatives with Mr. Sprague at 1500, 29 April 1958

PRESENT

General Mohammad Ayub Khan, Commander-in-Chief, Pakistan Army
 Air Vice Marshal Mohammad Asghar Khan, Commander-in Chief, Pakistan Air Force
 Major General M. Hayaud-Din, Military and Naval Attaché, Embassy of Pakistan, Washington, D.C.
 Air Commodore Haider Raza, Air Attaché, Embassy of Pakistan, Washington, D.C.
 Honorable Mansfield D. Sprague, Assistant Secretary of Defense (ISA)
 Mr. Charles H. Shuff, Deputy Assistant Secretary of Defense (ISA)
 Rear Admiral Charles K. Bergin, USN, Director, Near East, South Asia and Africa Region, OASD(ISA)

The Pakistani military representatives headed by Gen. Ayub Khan are on a visit to this country for the purpose of accelerating military aid to Pakistan, specifically the delivery of a light bomber squadron to Pakistan under the terms of the Pakistan-United States Aide-Mémoire Agreement of 1954.

Gen. Ayub Khan with Air Vice Marshal Asghar Khan called on Mr. Sprague, Assistant Secretary of Defense (ISA). After an exchange of pleasantries, Gen. Ayub Khan came directly to the point that the special purpose of his call, and those of the Pakistani military men along with him, was to request the expedited delivery of a light-bomber squadron for Pakistan under the terms of the 1954 bilateral agreement initiating military aid for Pakistan.

Mr. Sprague pointed out he understood that the Pakistan Government had initiated a bid from a British commercial company to sell light bombers to the Pakistani Armed Forces. He requested confirma-

¹ Source: Department of State, SOA Files: Lot 62 D 43, Bombers for Pakistan 1958. Secret. Drafted by Rear Admiral Bergin on April 30.

On April 26, Murphy, Rountree, and Bartlett of the Department of State and Irwin and Bergin of the Department of Defense met to prepare a U.S. position on various matters in view of this scheduled meeting with Ayub and his party. A memorandum of this conversation, drafted by Colonel E. V. Sutherland of ISA on April 28, is *ibid.*

tion as to whether or not this was true. Gen. Ayub Khan replied that it was true and that discussions had taken place and might have to continue in terms of purchasing light bombers should they (the Pakistanis) be unable to effect the promised delivery of light bombers from the United States. Mr. Sprague asked if the Pakistan Government is ready to offer to buy light bombers from the United States. Although this question was not directly answered, it may well be inferred from the laughter that no such intention of purchasing from the United States exists. Mr. Sprague then asked Gen. Ayub Khan whether or not the desire for light bombers expressed at this time was associated with a serious need felt because of any threat by international communism or for other reasons. Gen. Ayub Khan again forthrightly answered that his request in the name of the Pakistan Government was more related to the threat from India than threats from other sources. He added that the recent economic aid given by the United States to India left his country in a serious security position. He further pointed out that economic aid given by this country to India permitted the Indians to use their own funds for military purposes and that they were so doing to the threat of Pakistan's security. He pointed out that in addition to the fact that India had built up and was continuing to build up a large armed force, they had added to the threat of Pakistan's security by proceeding with a plan to cut off the waters of the Indus from Pakistan. In the interest of survival, Gen. Ayub Khan stated that Pakistan must increase her military strength, particularly their air force, in terms of light bombers.

Mr. Sprague cited that he understood the special problems of Pakistan and India relationships and pointed out that our military aid program was not for the specific purpose of solving such problems. It was intended more to support the common effort against the aggression of international communism. He added that since the United States had made this commitment to furnish a light bomber squadron (UE-20) to Pakistan under the terms of the Aide-Mémoire of 1954, it was the United States intention to live up to this commitment. For practical reasons it has been unable to furnish these promised bombers before this time. It now appears that some light bombers might be furnished to Pakistan in the third or fourth quarter of calendar year 1959, if the Pakistanis were prepared to operate and maintain such equipment. Specifically, he considered a number in the order of 4 to 6 as a possibility if the Pakistani pilot training and maintenance crew training warranted deliveries at such a time. He indicated that pilot training and maintenance training for Pakistan's air force could start in the United States this summer. It was pointed out that a normal pilot training course to operate light bombers could be expected to cover a period of about 9 months.

Air Vice Marshal Asghar Khan inquired as to the specific type of light bombers the U.S. might have in mind to provide the Pakistanis under the commitment. In reply, Mr. Sprague stated that they were the B-57 type. Air Vice Marshal Asghar Khan replied that as a technician, he was not enthusiastic over such an offer—that this was an antiquated airplane and not worthy of the expenditure of Pakistani manpower to utilize such poor equipment; that he expected better equipment than that proposed by the United States. He added that the B-66 was more of the type that they might expect and might accept from the United States. He was assured of the high quality of the American B-57. Air Vice Marshal Asghar Khan responded that he knew the quality and was not convinced of its value, and that he might be called upon to advise his country not to accept such an offer from the United States. He followed with the proposal that perhaps they could wait for light bombers for several years provided, in the interim, we added to their air force F-100 type fighter bombers. Mr. Sprague and Mr. Shuff hastened to inform him that no such commitments could be made to Pakistan, that the B-57 was a good plane and recommended that he (Air Vice Marshal Asghar Khan) should visit a squadron operating B-57's to assure himself of their quality and even fly one himself should the rules of his country so permit. He remained adamant in his attitude toward the B-57 citing that Canberra 8's could be purchased in England and were much better airplanes in his opinion. Gen. Ayub Khan who first seemed shocked at the attitude of Air Vice Marshal Asghar Khan recovered to concur with Mr. Sprague and Mr. Shuff in Mr. Shuff's proposal for the Air Vice Marshal to look over the American planes and not prejudge them.

The conference ended in this vein and arrangements have been made for Air Vice Marshal Asghar Khan to visit a U.S. operating B-57 squadron.

Gen. Ayub Khan requested a private conversation with Mr. Shuff where he continued to raise questions related to

(a) U.S. willingness to provide equipment in accordance with Baghdad Pact goals.

(b) The readiness of the United States to provide full U.S. equipment for Army divisions now under military aid support. He cited that these divisions now were partially U.S. and partially U.K. equipped.

(c) He raised the question of whether we could provide assistance in the form of married officer quarters at the cantonment now being built under the military aid program for the Pakistani Army.

(d) He inquired as to the availability of prefabricated houses to be given to the Pakistan Government for housing their armed forces.

In all of these requests he was not given encouragement by Mr. Shuff. Gen. Ayub Khan then in private conversation with Admiral Bergin raised the same questions and received the general reply that

we were unable to make any specific commitments in the areas requested and it was pointed out that military aid programs are developed in a normal manner through standard procedures initially through the Chief of the Military [Assistance] Advisory Group in the country concerned.

[1 paragraph (11½ lines of source text) not declassified]

The meeting ended upon an appointment at 1630 of the Pakistani group with General Twining, Chairman, JCS.²

C. K. Bergin³
Rear Admiral, USN

² No record of the meeting with Twining has been found.

³ Printed from a copy that bears this stamped signature.

310. Memorandum From the Director of the Office of South Asian Affairs (Bartlett) to the Assistant Secretary of State for Near Eastern, South Asian, and African Affairs (Rountree)¹

Washington, May 6, 1958.

SUBJECT

Bombers for Pakistan

At a meeting with Assistant Secretary of Defense Sprague on April 29 (copy of memorandum of conversation attached),² General Ayub Khan and Air Vice Marshal Asghar Khan were informed by Mr. Sprague that since the United States had made a commitment in 1954 to furnish a light bomber squadron (UE-20) to Pakistan, it was the intention of the United States to live up to this undertaking. Mr. Sprague told the Pakistan representatives that the United States was in a position to consider furnishing four to six B-57-type bombers in the third or fourth quarters of calendar year 1959 if the Pakistan pilot training and maintenance crew training warranted delivery at such a time. The position which the Department of Defense thus took with Ayub and Asghar was in accordance with the agreements reached in Mr. Murphy's office at the meeting which you arranged on Saturday, April 26.

¹ Source: Department of State, Central Files, 790D.5622/5-658. Secret.

² Printed *supra*.

At both the meeting in the Pentagon on April 29 with Mr. Sprague, as well as at a meeting on May 5 with Mr. Charles H. Shuff, Deputy Assistant Secretary for Military Assistance Programs, Air Vice Marshal Asghar raised objection to the type of plane to be provided, alleging that Pakistan had expected to be given a better plane. At the second meeting, at which I was present, Asghar, who had apparently left the first meeting under the erroneous impression that the entire squadron of light bombers would be delivered during calendar year 1959, also objected to the delivery schedule whereby only four to six planes would be delivered in the last half of calendar 1959 and the remainder during calendar 1960. Finally, Asghar noted that he presumed a squadron of twenty planes meant an operational squadron, which would require that a total of more than twenty planes be made available in order to have twenty operational at any one time. This had been the case in connection with the Sabre Jet deliveries and this was his understanding of the meaning of UE, "Unit Equipment".

If only twenty planes were involved, and if only up to six could be delivered in 1959, Asghar did not know whether it would be worth while for Pakistan to attempt to receive and activate the squadron of B-57's. Unless they could get B-66's, they might, under these circumstances, have to seek planes elsewhere. By "elsewhere" it was clear that Asghar had in mind the United Kingdom. He said, however, he would have to review this question with the Pakistan Finance Minister since foreign exchange expenditures were involved, and would let Defense have a definite answer by May 7.

Comment: Both Defense and, at the first meeting, General Ayub seemed surprised at the young Air Vice Marshal's cool reception to the United States offer. We in SOA believe, however, that Amjad Ali, who has a Finance Minister's veto, will prevail upon Asghar to accept the planes in order to save Pakistan's foreign exchange. If he does not and if the Government of Pakistan thereby rejects our reasonable offer to fulfill our 1954 commitment, I believe that, while we cannot prevent the GOP from buying planes from the U.K., we should make it very clear, possibly through an exchange of letters or a unilateral note, that we consider that in offering the squadron of B-57's, we have discharged our 1954 commitment.³

³ At the meeting with Asghar Khan at the Pentagon on May 7, Deputy Assistant Secretary of Defense (ISA) Shuff explained the anticipated schedule for the delivery of bombers to Pakistan. He emphasized that the aircraft would be provided over a 3-year period. Asghar Khan replied that he understood and at the conclusion of the meeting indicated that he was "happy" with the way things turned out. (Memorandum of conversation; Department of State, SOA Files: Lot 62 D 43, Pakistan—1958)

311. Memorandum From the Joint Chiefs of Staff to the Secretary of Defense (McElroy)¹

Washington, May 16, 1958.

SUBJECT

Recommendation on the Early Provision of a Few Light Bombers to Pakistan (C).

1. Reference is made to the memorandum, subject: "General Taylor's Visit to Baghdad Pact Countries, Spain, Libya, and Ethiopia", dated 4 March 1958, by the Chairman, Joint Chiefs of Staff, for the Assistant Secretary of Defense (ISA), which forwarded General Taylor's comments and recommendations resulting from his recent trip to the Middle East.²

2. General Taylor's report recommended inter alia, that prompt consideration should be given to the early provision of a few light bombers to Pakistan.

3. The Joint Chiefs of Staff have recognized that the United States is committed to providing Pakistan with a light bomber squadron under the terms of the Aide-Mémoire of 21 October 1954, and included one light bomber squadron for Pakistan in the FY 1960 Military Assistance Programming Guidance forwarded to you by memorandum dated 30 January 1958.

4. The terms of the Aide-Mémoire state that both the Governments of the United States and of Pakistan will do their best to accelerate the whole program of military assistance so as to accomplish its matériel, equipment, and other goals in less than the three-and-one-half years originally contemplated. The Aide-Mémoire also states that the program of military assistance to Pakistan is subject to the availability of funds and to the priorities of requirements upon the United States.

5. The Pakistanis may readily make use of certain portions of the Aide-Mémoire to demonstrate that the U.S. is not abiding by its agreement. In fact, such a charge was voiced by the Pakistani Prime Minister, Mr. Malik Noon on 21 February 1958, to the Chief MAAG, Pakistan, in Karachi.

6. The Joint Chiefs of Staff have noted that current planning envisions programming the light bomber squadron for Pakistan during FY 1960, with aircraft delivery occurring 18 to 24 months later. However, in view of the commitment under the Aide-Mémoire and of stated Pakistani criticism of United States actions, the Joint Chiefs of Staff concur with the recommendation of the Chief of Staff, U.S.

¹ Source: National Archives and Records Administration, RG 218, JCS Files. Secret.

² Not printed.

Army, for the early provision of a few light bombers to Pakistan. The priority of aircraft requirements in current USAF programs, the status of the present fighter/bomber program, the additional training required, and the ability of the Pakistanis to utilize and absorb, militate against the provision of the light bomber aircraft in 1959. However, it is anticipated that deliveries can be initiated in FY 1960.

7. The Joint Chiefs of Staff also have noted the commitment to the Pakistan representatives on 7 May 1958, which provides for delivery of four to six aircraft by December 1959, ten aircraft by June 1960, and the balance of the aircraft by December 1960. The U.S. Air Force can meet this commitment, insofar as the availability of aircraft is concerned, and provided early funding for ground support equipment not available in the U.S. Air Force inventory is authorized.

8. It is therefore recommended that:

a. A light bomber squadron should be included in the FY 1960 Military Assistance Program as currently planned. The originally planned delivery schedule of aircraft should be changed to provide for aircraft delivery beginning in FY 1960.

b. A timely training program should be initiated in order to insure availability of flight and maintenance crews consistent with the delivery of aircraft.

c. The delivery of aircraft should be scheduled consistent with the ability of Pakistan to utilize and absorb.

d. Funding be provided prior to October 1958 for ground support equipment not now in the U.S. Air Force inventory.

e. Pakistan should be encouraged to continue devoting a major portion of her efforts and resources towards the attainment of the Phase I Objectives (IDF/FB) outlined in the Baghdad Pact Air Study, which, as finally approved, do not include light bombers.

For the Joint Chiefs of Staff:

N. F. Twining³

Chairman

Joint Chiefs of Staff

³ Printed from a copy that bears this typed signature.

312. Telegram From the Department of State to the Embassy in Pakistan¹

Washington, May 21, 1958—2:47 p.m.

2952. For Ambassador. Department greatly appreciates excellent reporting contained in your recent telegrams, particularly 2828, 2836, 2857, 2881 and 2912,² which lead to conclusion change in Government probably imminent and could actually involve this time much more than mere change of personalities.

View this situation, Department believes it desirable, if you concur, that you take earliest occasion explain basic American position to Mirza along following lines: USG believes every country has both right and responsibility choose whatever form of government it believes best for itself since people and their leaders are in much better position judge what is good or bad for that country than any outsiders. Therefore USG trusts President Mirza will not consider that our failure to react to his valued confidences regarding political developments in Pakistan implies endorsement or disapproval. We also trust our representative in Karachi may continue to maintain his present close contacts with President Mirza and members of his Government.

On other hand, USG believes it would not be reciprocating candor with which President Mirza has spoken with American Ambassador if we did not reiterate to President that United States and its people have for almost two centuries believed that in long run democratic government was superior, from point of view of peoples' welfare and development, to authoritarian government. There may be exceptions which can be justified for limited periods. That decision must be left entirely for Pakistan leaders and people to decide. USG however would hope that as outsider who respects Pakistan's sovereignty and cherishes its close and friendly bonds with that country, that any decision to set aside Pakistan's long-held aims continuously to work toward the firm establishment of its democratic institutions should be taken only after most serious consideration and, in a sense, only as last resort. As friendly outsider USG believes this reflects feeling of President Mirza and his Government.³

Dulles

¹ Source: Department of State, Central Files, 790D.00/5-1358. Secret; Priority. Drafted by Bartlett and approved by Rountree.

² All these telegrams were sent between May 13 and May 20; all are *ibid.*, 790D.00.

³ Langley conveyed this message to Mirza on May 24. (Telegram 2975 from Karachi, May 25; *ibid.*, 790D.00/5-2558)

313. Telegram From the Consulate General in Dacca to the Department of State¹

Dacca, May 29, 1958—4 p.m.

384. Re Embtel 437 sent Department 2975,² and my despatch 295.³

(1) Mirza dictatorship would be violently opposed in East Pakistan, would give Communists here encouragement and advantage, and would reverse progress made in consolidating country (Embassy despatch 975).⁴ Under a dictatorship non-Communists who would offer them slogans of democracy and freedom from tyranny [*sic*].

(2) At same time Government of India would encourage opposition to Karachi regime with money, agents, and arms. There is small but endemic hope here for eventual unified Bengal state.

(3) A dictatorship would not be likely to cure the malaise of Pakistan. Policy decisions could be made quicker, but execution thereof would still depend on Civil Service and General Administration. It would not root out corruption or nepotism; experience teaches that these increase when official acts are not subject to scrutiny by people or their representatives. It would not increase its natural resources, or its wealth in other respects. Indeed, it would solve none of Pakistanis' problems, except easing the matter of policy decisions, but performance would be no better than it is now.

(4) To hold East Pakistan, a dictator would have to strengthen army here, now one under-strength division, including two Bengali battalions which might mutiny. To strengthen army here means to weaken it in West Pakistan. Army here is thought capable of maintaining internal security, but this estimate is based on prospect of riots and

¹ Source: Department of State, Central Files, 790D.00/5-2958. Secret. Repeated to Karachi and Lahore.

² In this telegram, May 25, Ambassador Langley reported on recent political developments in West Pakistan. He pointed out that Mirza and other Pakistani leaders were considering suspending indefinitely the parliamentary elections scheduled for the fall of 1958. (*Ibid.*, 790D.00/5-2558)

³ In despatch 295 from Dacca, May 1, Consul General William L. S. Williams summarized a recent discussion with Farid Ahmed, a member of the National and Provincial Assemblies, who suggested that relations between East and West Pakistan would make a dictatorship unlikely. (*Ibid.*, 790D.00/5-158)

⁴ In despatch 975 from Karachi, April 24, entitled "Relations Between East and West Pakistan," the Embassy concluded that relations between East and West Pakistan had improved over the past 2 years, but pointed out that discontent in East Pakistan was still strong "and must receive even greater satisfaction in the future if the political system now functioning in Pakistan is not to be subjected to severe strain." The Embassy also noted that "the steady deterioration of living standards in East Pakistan is a major domestic issue. Continued failure to ease this problem of poverty could result either in East Pakistan seeking reabsorption in India or unity with West Bengal as a separate entity very possibly under a communist dominated regime." (*Ibid.*, 756D.00/4-2458)

local disturbances, not on open revolt aided in all likelihood by another country. Civil war is bitter and unrelenting as we know from our own experience and that of other countries. On other hand, recalling Mirza's previous irritation with East Pakistan, he may already have written it off.

(5) Propaganda value to our enemies of Pakistan Army using US arms and equipment to quell rebellion against a dictatorship is inestimable.

(6) Implications of dictatorship viewed in context of our relations with India and other nations in area are many and varied. If we should countenance a dictator in Pakistan, we would destroy our reputation as a democratic people with a democratic government, our strongest link with the populace and the vast majority of its leaders.

(7) There is no reason for departure from democratic form of government as far as East Pakistan is concerned. Here democratic instinct is stronger than in West Pakistan, and populace is more advanced politically. That is why, I believe, a coup d'état could well end in the destruction of Pakistan as now constituted and might lead to war in the area.

(8) From standpoint our relations with 45 million people in East Pakistan we should work for general election in Pakistan as scheduled. Regardless of the results, we would then know where we stand, and could act accordingly.

Williams

314. Letter From the Ambassador in Pakistan (Langley) to the Assistant Secretary of State for Near Eastern, South Asian, and African Affairs (Rountree)¹

Karachi, July 1, 1958.

DEAR BILL: Your letter of June 21 with its word of caution greatly interests me.² As a one-shot ambassador, I realize there is a lot I still don't know about this business, though nearly a year in Karachi has taught me much.

¹ Source: Department of State, SOA Files: Lot 62 D 43, Pakistan—1958. Secret; Official–Informal.

² Not found.

The expression you use is that some of you in the Department "are a bit nervous lest I may be becoming so closely involved as an intermediary in some of the internal political manouvering in Pakistan that I might be exposing myself to danger of attack."

[1 paragraph (6½ lines of source text) not declassified]

I have been very careful not to become an intermediary between Pak leaders. I have respected the confidences of each of the leaders. It is true that some of them have on occasion urged me to take certain positions with others, and even in this I have chosen to cleave to United States policy positions or to follow specific instructions from the Department, as the case may be. Actually, perhaps because of my newspaper training, I seek and get a lot of information, but I very, very seldom give advice or make suggestions except in accord with general policy or specific instructions.

Recently, just before I left for Nathiagali I informed the Department in a hastily written last minute telegram that Suhrawardy [*less than 1 line of source text not declassified*] wished me to indicate to Mirza that he, Suhrawardy, would support Mirza for the Presidency.³ On thinking this over I decided not to make such an approach, and have not done so.

One precaution I have taken is to ask the President not to include my visits to his office in the daily list of callers which are conventionally printed in the Pakistan papers each day. Mirza has been complying with this request for some time now. It helps to avoid speculation.

Access to leaders in this country is so easy compared to the situation in many other capitals that formality is difficult to maintain. However, I have avoided carrying my associations with Pakistan leaders to the point of personal intimacy, purposely, partly because of knowledge of the difficulties into which this has got some Americans here in the past, including some personnel here since I came to Karachi.

I assure you I shall be doubly careful as a result of your letter.⁴

Sincerely yours,

James M. Langley

³ Reference is to telegram 3033 from Karachi, May 31. (Department of State, Central Files, 790D.00/5-3158)

⁴ Rountree replied in a letter of July 17, thanking Langley for his letter and concluding: "Your present letter makes it clear that you have been well aware of the proclivity of Pakistani politicians to attempt to involve our representatives, and have been fending them off with skill." (*Ibid.*, SOA Files: Lot 62 D 43, Pakistan—1958)

315. **Airgram From the Embassy in Pakistan to the Department of State**¹

G-4

Karachi, July 9, 1958.

Following is my over-all assessment of situation in Pakistan as of now.

Against background of increasing economic difficulties and social restlessness Pakistan is moving unsteadily towards its first constitutional elections.²

Though all parties publicly say they favor elections "as scheduled", sometime in November, there are signs elections may not be held until some weeks, or even months, later.

Prime Minister Noon said at Lahore July 5 he might be prepared give two weeks grace when he convenes an all-party meeting in Karachi July 19 to settle election day, but he would certainly want elections held before end of 1958.

Awami League privately wants elections postponed until February, 1959, because November is harvest time in East Pakistan. It dares not risk public reaction by saying so publicly, however.

NAP is divided. Some leaders, like Ghaffar Khan, give the break-up of one unit a higher priority than elections and would be willing to have elections postponed if one-unit were broken up in advance. Officially, holding of elections as promised is one of NAP's five points. But other four points, if instrumented [*implemented?*], would make holding of elections on schedule impossible.

Muslim League publicly accuses Republicans of trying postpone elections, but many leaguers privately want elections based on separate electorates. This would postpone elections.

President publicly committed to holding elections on time. He has resisted attempts from various quarters to postpone elections by device of allowing additional time during which election commission's rolls could be "corrected". Nevertheless, he has often expressed doubts about applicability of democratic system to a largely illiterate country like Pakistan, and threat which elections pose to his own position doubtless enhances his misgivings. He is prepared to "take over", as he expresses it, should political situation further deteriorate internally, and if he did, elections would probably be postponed. Already, President's rule has been invoked in East Pakistan under Article 193 for

¹ Source: Department of State, Central Files, 790D.00/7-958. Secret.

² In telegram 3141 from Karachi, June 12, the Embassy offered a detailed analysis of Pakistan's economic situation. (*Ibid.*, 790D.00/6-1258)

two months, and might then be extended for another four months, should it appear that Aatur Rahman, leader of Awami League coalition until recently in power in province, cannot form new government.

In West Pakistan Prime Minister Noon on July 5 said publicly that Government fears current Kashmir liberation movement, by peaceful crossing of cease-fire line, may get out of hand and recreate a situation like that in Punjab in 1953, when martial law had to be proclaimed. He blamed Muslim League principally for agitation. Privately administration prepared to impose President's rule in West Pakistan under Article 191 if the movement does get out of hand.

The developing situation appears to have driven Republicans closer together, though they are not naturally a cohesive party. Attempts by President and Chief Minister Qizilbash of the GOWP some weeks ago to weld new coalition of Republicans and Muslim Leaguers (the Parliamentary group), which never had a chance, appear to have failed dismally and to have been abandoned. At same time, H. S. Suhrawardy has avoided antagonizing President in his public utterances and has privately indicated his support for Mirza as first elected President. Mirza, on his side, has toned down his previous bitter private expressions against Suhrawardy and Awami Leaguers and appears to accept reluctantly fact that if he is to be elected President it must be with Awami League support in part.

Pakistani people still cling to probably forlorn hope elections will somehow change everything for better. More realistic and practical politicians in all major political parties expect that make-up of new assemblies at Center and in provinces will be much as at present, with most of present members back in office. In Center, where Assembly membership will be expanded from 80 to 310, political realists among Pakistanis believe additional members will perhaps lower rather than elevate general level of performance.

There is no evidence yet that warrants a conviction any party may have a clear majority in any of the assemblies. It is probable that a coalition of a minimum of three parties will be required to constitute a government in Center.

Most disturbing to relatively few Pakistanis who view Communism as a genuine menace is the balance of power position NAP has gained in East Pakistan (which contributed to imposition of President's rule). NAP briefly enjoyed a similar position during past year in West Pakistan where Muslim League and Republicans have both signed agreements with them. Republicans are presently not dependent in West Pakistan on NAP support, but in elections NAP may become a strong force in West Pakistan. Republicans are currently attempting to split and reduce effectiveness of NAP by meeting some of the regional demands which serve to draw this collection of leftist provincial dissidents together.

Prime Minister Noon more recently has gone far in publicly defending the traditional foreign policy of Pakistan, thus atoning for the intemperateness of his March 8 Assembly speech. He has shown some adeptness at building good will within his own party, and in increasing the number of its adherents in National Assembly. He has been firm in his handling of Kashmir liberation marchers. He has also kept good will of Awami Leaguers, whose votes are essential to keeping his government in office. In rare press conferences, one in Karachi and another in Lahore, Prime Minister has handled himself well. (Incidentally, Noon has been running a periodic fever during recent weeks and is not physically at his best.)

The improved feelings between Suhrawardy and the President are in part due to the efforts of Noon. He has shown more adaptability at political peace-making than anyone suspected he possessed.

The victory of the Prime Minister in his appeal to expunge the judge's gratuitous "indictment" of him in Gurmani defamation suit judgment does not alter facts of Noon's probable involvement, but politically it confuses the record to his benefit, and probably destroys an issue which might otherwise have brought about his removal from office.³

It appears the Noon government has a better than even chance of surviving until elections, if they are held reasonably close to the target date.

In meantime GOP will make commitments for some capital expenditures which it may subsequently regret. Political considerations of the moment control. None of the political leaders (Amjad Ali is almost the single exception) have economic interests or judgment, or if they do, it is in the election year subordinated to political considerations.

If Pakistan can achieve its first popularly elected national government, that government will inherit more serious problems than have existed in this country since those which attended its tumultuous birth. There is only a slight chance that any of Pakistan's major problems will be more than fractionally reduced in their dimensions prior to elections. Major problems which will remain include:

(1) Political instability.

a. Many parties and probably continued frequent changes in government.

b. Separate electorate issue.

c. Constitutional issue of one-unit.

d. Prevalence of corruption.

e. Absence of national unity.

³ Prime Minister Noon had recently been implicated in a libel suit brought by Mushtaq Ahmed Gurmani, Governor of West Pakistan, against the chief editor of the *Times of Karachi*.

(2) Economic deterioration.

- a. Declining exports and foreign exchange.
- b. Continuing food shortages.
- c. Mounting inflation.
- d. Mounting loss of agricultural lands.
- e. Excessive armaments burden.

(3) International problems.

- a. Kashmir issue.
- b. Canal waters disputes.
- c. Lack of Indo-Pak and Arab area amity.
- d. Mounting Communist penetration.

Despite all this, Pakistan will have acquired a degree of greater maturity. It will be sadder, but also a bit wiser. It may become, from necessity, somewhat more austere. It may, also, be a little less Islamic in handling its public affairs. It should discover some new potential leadership as a result of elections. (Its present principal leaders are physically worn out and tired.) It will begin to count cost of foreign assistance which is more and more in form of loans to government. It will, and should, acquire a little more national dignity, by relying more upon its own potentialities than upon international charity. A national faith it really never has had should begin to emerge.

These possibilities are difficult of accurate measurement and can be imperceptible if one is distracted by the obvious superficialities which constantly obtrude. Muslim Pakistanis are still a badly confused people, but they are intellectually potentially capable of better judgment. Their current great disillusionments are a sign of progressively wider recognition of the realities and responsibilities of a society of free men. Their single greatest need is inspirational leadership. No present leader possesses this faculty. The temptation has been too great to appeal instead to ancient prejudices.

The Embassy, recognizing all these aspects of national life in Pakistan, will continue at every opportunity to encourage every sound aspiration and contemplated action of the Pakistanis and to so handle United States-Pakistan relations as to help the people of Pakistan to the greater degree of self-assurance and confidence of which they are in such great need.⁴

Langley

⁴ In a memorandum of July 15 to Bartlett and Meyer, Howison enclosed a copy of airgram G-4 and recommended that they read it. Howison's memorandum reads in part: "One point on which we might have wished further comment is the array of difficulties in the way of attaining and maintaining a further rapprochement between Mirza and Suhrawardy. I believe that Mr. Soulen, Mr. Dembo, and the [less than 1 line of source text not declassified] people [less than 1 line of source text not declassified] who have in view the historical background of the Mirza-Suhrawardy relationship, may fear that

Continued

316. Telegram From the Embassy in Pakistan to the Department of State¹

Karachi, July 24, 1958—4 p.m.

224. Joint Embassy/USOM message. Dillon and Smith from Langley and Killen. A. Embtel 3258;² B. Deptel 3231.³ Subject: GOP plans for steel mill.

1. Recent events in Middle East have served to highlight growing concern our part US aid program here not gaining wholehearted support GOP official COM. Even prior to Middle East developments, GOP officials failed to appreciate gravity of over-all economic situation and measure of support program provided national economy. Carping complaints about delays, alleged inadequacies in volume (as compared to aid to India) and misrepresentations and half-truths in public press have failed to elicit friendly support or refutation by members official GOP family.

2. ME situation eliciting distinctly contrary reactions in Pakistan. Official GOP pronouncements favorable to US, following line Mirza's comments Ankara. Yet official statements do not at all represent private views of several otherwise strongly pro-Western members of government while others non-committal and probably favor opposing view. Views of native language press largely and vigorously unfavorable. Real possibility exists latter sentiment may grow, development which in light forthcoming elections may be reflected in growing restiveness on part official GOP family. There can be no assurance that GOP orientation to West will hold in face of popular dissatisfaction official position. This situation creates most favorable climate within which to nurture dissatisfaction towards all things American, including aid program.

3. Important factor emerging situation here is Ghulam Faruque, Chairman PIDC. He increasingly referred to as strongest man in country and personifies both anti-American attitude and growing nationalistic neutralist tendencies. Faruque has repeatedly asserted US opposes industrialization in Pakistan (especially steel mill) and Soviet Union

it would be over-sanguine to anticipate that a stable collaboration between these two could be evolved." (Department of State, SOA Files: Lot 64 D 50, Political Activities—General)

¹ Source: Department of State, Central Files, 890D.331/7–2458. Confidential; Priority.

² In telegram 3258, June 24, the Embassy reported that the Pakistani Cabinet had approved a steel mill project. (*Ibid.*, 890D.331/6–2058)

³ In telegram 3231, June 27, the Department of State informed the Embassy that the Pakistanis should be discouraged from thinking that U.S. financing would be available either for Pakistan's proposed steel mill or the importation of ore. (*Ibid.*, 890D.331/6–2458)

represents most friendly and probable source of needed external aid for industrial growth. We were told July 23 on dependable authority Faruque openly advocating new political alignment large land owners, to whom he promising retention of favored position in tax and political matters, with major industrialists to whom he promises sharp tax reductions. His patronage powers flowing from growing PIDC industrial complex are greatest in Pakistan. His acknowledged skills [*less than 1 line of source text not declassified*] have enabled him to gain confidence of President and Prime Minister. In addition to this support he openly claims ability to manipulate GOP cabinet at will, which its votes reflect. Recent cabinet position on steel mill, which casts aside valid objections of Amjad Ali and Said Hasan, is example. Unless curbed, Faruque may achieve his ambition of "king-maker" through skillful and demagogic exploitation local frustrations and flaring nationalism in this part of world.

4. Under these circumstances, and others not mentioned, we have reviewed steel mill issue. On basis technical data available here, cabinet decision, June 21, authorizing Faruque to proceed with Frupp-Renn process may prove economically disastrous. Approval involves \$47,600,000 investment foreign exchange to produce maximum of 60,000 tons annually. Almost identical situation existed Egypt 1953 being forestalled by timely representations Harman Company, Chicago steel consultant. Findings re characteristics ore sample sent US not yet available and as things stand have little likelihood influencing GOP or Faruque decision. However, we urge fastest possible completion of tests with results cabled to us. See reference telegram A.

5. While he not enthusiastic re any plans for steel mill at this time, even Amjad Ali believes plant, under Faruque's pressures, has become political "must". He therefore feels only issue to which attention might be successfully directed is process used and source financing. He expressed hope yesterday US might still do something these respects.

6. While many aspects this problem unclear and controversial, we feel steel mill issue may prove crucial factor future Pakistan foreign relations. If financed by USSR, would give Soviet Union tremendous boost in popular esteem and US interests gravest injury. At same time, Faruque's hand would be greatly strengthened, which holds little favorable promise from US viewpoint.

7. Although we recognize calculated risks involved and danger our position might be disregarded, I should like to tell Mirza and Prime Minister that US was prepared

A. To immediately initiate comprehensive appraisal by outstanding US firm of technical and economical feasibility of steel mill in Pakistan, including appraisal all known ore deposits and manufacturing processes suitable Pakistan's ore and fuel availabilities, and

B. To give most serious consideration to provision of steel making facilities under DLF loan, with construction plant on "turn-key" basis, if above study shows favorable prospects for such action.

In view uncertainty re Washington attitude, we dare not do this without a clear go-ahead from Department and ICA/W. If Washington-GOP approved, engineering could be done during FY59. If project appeared feasible, funding could flow from DLF appropriation for FY60 and subsequent years.

8. As we see program here, any decision re magnitude of aid if based solely on past and current GOP performance should reflect bearish trends. However, if our present plans materialize, this situation may be improved. These plans call for strengthened method joint collaboration in programming and implementing aid program with resultant improvements in aid utilization. Present issue fits squarely into this pattern if carried out as proposed. We do not assert suggested action is sure to succeed. We believe it holds promise. To take no action at this point might play straight into hands of our opponents.

9. Please advise soonest.⁴

Langley

⁴ Telegram 319 to Karachi, August 7, for Langley and Killen from Dillon and Smith, authorized the Ambassador to discuss the steel mill problem with Mirza and/or Noon and to explain that the United States regarded the decision to embark on a steel mill project as one in which the United States did not wish to interfere. The United States, however, would be prepared to send an ICA-financed expert team to make a study of the proposal from both the technical and economic viewpoint if Pakistan desired. The telegram also noted that the Ambassador should point out that the United States believed that the project was "extremely difficult technically and highly uneconomic." (*Ibid.*, 890D.331/7-2458)

In telegram 359 from Karachi, August 14, for Dillon and Smith from Langley and Killen, the Ambassador reported that he raised the steel mill subject with Mirza on August 13. He presented the President with a detailed outline of the points suggested in telegram 319. Mirza responded that the proposed plan "made good sense" and asked for a copy. (*Ibid.*, 890D.331/8-1458)

317. Editorial Note

The Ministerial Council of the Baghdad Pact held its fifth meeting in London, July 27–28. On July 28, the Council issued a joint declaration in which the United States agreed to cooperate with the Baghdad Pact members in ensuring their defense and security against direct or indirect aggression. For text of the declaration, signed by Prime Ministers Noon of Pakistan, Manouchehr Eghbal of Iran, Adnan Menderes

of Turkey, and Harold Macmillan of the United Kingdom as well as Secretary Dulles, see Department of State *Bulletin*, August 18, 1958, pages 272-273.

Pursuant to the London Declaration, the United States began the negotiation of bilateral defense agreements with Pakistan, Iran, and Turkey. Extensive documentation on this subject is scheduled for publication in volume XII. Documentation on the negotiations with Pakistan are in Department of State, Central File 790D.5. See also Documents 341 and 346.

318. Memorandum of a Telephone Conversation Between the Counselor of the Pakistani Embassy (Shaikh) and the Deputy Director of the Office of South Asian Affairs (Meyer), Washington, July 29, 1958¹

SUBJECT

Delay in Response to Pakistani Military Purchase Requests

Obviously motivated by a sharp telegram from Karachi, Mr. Shaikh telephoned concerning Pakistani requests for military purchases dating back to April. This is the fifth time that either Mr. Shaikh or Colonel Khan have prodded me on this matter in addition to various representations made to Mr. Bartlett, Mr. Soulen, and others.

Pointing out that the bulk of the equipment which the Pakistanis wish to purchase are "ordinary things" such as trucks and ambulances, Mr. Shaikh stated that Karachi cannot understand the lengthy delay in the United States Government's approval. He said reports have been received in Karachi that certain individuals in the Pentagon have suggested that there is serious question as to whether Pakistan "can afford" to make these purchases. Mr. Shaikh indicated that there is considerable chagrin in Karachi not only at what appears to be a questioning of Pakistani judgment by American officials but even suggesting a lack of Pakistani independence to make its own decisions. Referring to what he called the present "state of mind of our people," Mr. Shaikh said that the "pride" of Pakistani officials, particularly military leaders, has been hurt by this apparent American Government

¹ Source: Department of State, Central Files, 790D.56/7-2958. Confidential. Drafted by Meyer.

attitude. He added that Karachi is charging Pakistan Embassy officials here with inefficiency and ineffectiveness because of their failure to obtain results in this matter.

I assured Mr. Shaikh that the military purchase requests are under active consideration and I would hope that within a few days he would receive an answer.

319. Memorandum for the Files by the Ambassador to Pakistan (Langley)¹

Washington, September 17, 1958.

SUBJECT

Conversation between Ambassador Langley and Mr. Dillon

Ambassador Langley inquired whether final determination on a Defense Support figure had been made. Mr. Dillon replied that the figure was \$80 million, pointing out that this represents a \$30 million increase over last year and is, therefore, a very generous figure considering the shortage of funds caused by the Congressional cuts in the Mutual Security Program.

Ambassador Langley inquired regarding the status of the military program for Pakistan. Mr. Dillon said that a staff study of this problem was being conducted within NEA, with particular emphasis on long-range planning. The immediate problem concerned deliveries of new tanks. The question was whether and how we could induce the Pakistanis to scrap the old tanks which the tanks provided by the U.S. would replace. Ambassador Langley pointed out that one of the difficulties in administering the military program is the fact that the Pakistanis have never been told exactly what the role and mission of the Pakistan armed forces is to be. It would be very helpful if this could be clarified. Mr. Dillon replied that obviously this was very difficult, because the military role and value of the Pakistan army is dubious at best. In retrospect, it now appears clear that the military program in Pakistan was launched as a political measure designed to induce Pakistan to join regional security pacts. From a purely military standpoint, maintaining large armed forces in Pakistan cannot be justified. The economic burden of supporting these forces is a very serious one. For

¹ Source: Department of State, Central Files, 790D.5–MSP/9–1758. Confidential. Drafted by Langley, who left Pakistan on September 9 for approximately 3 weeks of home leave and consultations in Washington.

example, the recently completed costing study indicates that it will eventually cost approximately \$35 million per year to maintain one air squadron. Moreover, the Pakistan military program is most vulnerable when it comes to Congressional and public opinion. The trend of opinion in the U.S. is definitely in the direction of using funds for productive economic development, rather than for unproductive military expenditures.

Ambassador Langley inquired how we can bring pressure to bear on India in connection with our aid program in order to make the Indians more reasonable vis-à-vis the Pakistanis. He gave as an example the recent talks on Indo-Pak border disputes in which the Indians had insisted that issues which had already been arbitrated in the past should be re-arbitrated. He also mentioned Indian delays in reaching an interim agreement with Pakistan on the Karnafuli dam. Mr. Dillon pointed out that from his recent talks with Indian officials, it seemed that the principal obstacle to Indo-Pak negotiation of outstanding issues was the political instability of the Government of Pakistan.² Rightly or wrongly, the Indians insisted that they could not negotiate with a government which might not be in power when the time came to implement any agreements reached. With regard to Karnafuli, Mr. Dillon said that he would raise this matter in New Delhi and urge the Indians to move forward with the interim agreement.³

Mr. Dillon asked Ambassador Langley for his estimate of the political stability which might result from the forthcoming Pakistan elections. The Ambassador replied that elections were no doubt very desirable, but that they would probably result in a government by coalition and, therefore, would still contain an element of instability.

The Ambassador inquired regarding the status of DLF loan applications by Pakistan and the PL 480 program. Mr. Dillon replied that Pakistan's DLF application was proceeding satisfactorily and that DLF recently had approved two substantial loans. Mr. Dillon hoped that it would be possible to arrange for a two year PL 480 program for Pakistan.

² See Document 219.

³ Dillon was scheduled to leave Washington on September 19 for a trip to 11 countries: Spain, Tunisia, Greece, Turkey, Iran, Pakistan, India, Lebanon, Switzerland, Germany, and the United Kingdom. The purpose of the trip was to confer with U.S. Ambassadors and other senior U.S. officials regarding operations conducted under the Mutual Security Program, as well as on other major economic problems, and to meet with senior government officials for conversations on matters of mutual interest.

**320. Memorandum of a Conversation, Department of State,
Washington, September 24, 1958¹**

SUBJECT

Pakistan Finance Minister's Call

PARTICIPANTS

Amjad Ali, Pakistan Finance Minister
James M. Langley, Ambassador to Pakistan
William M. Rountree, NEA
Henry W. Spielman, SOA

The Pakistan Finance Minister began the discussion by indicating the Canadian meeting of Commonwealth Finance Ministers was a success so far as he was concerned, and after hearing reports from other countries, he thought the situation in Pakistan was not too unfavorable.

Mr. Ali said the Canadians showed a spirit of cooperation in attempting to help Pakistan solve her economic problems. He and the Canadians agreed that Pakistan might buy \$2 million worth of wheat from Canada using part of the funds allotted earlier for the Warsaw project. Mr. Ali hoped that this quantity could be included in a global marketing quota under PL 480 because Pakistan is using \$2 million of economic aid for this wheat. The wheat is expected to be delivered in December. Mr. Ali said that Pakistan had enough wheat on hand to carry them into December of this year. He is hopeful that new PL 480 wheat will arrive in the latter part of December and for the rest of the crop year. In answer to a question from Mr. Rountree he said that Pakistan's requirements remained the same, 700,000 tons of wheat and 100,000 tons of rice in addition to some cotton and vegetable oils. Mr. Rountree assured the Finance Minister that the Department would make every effort to conclude an early agreement so that a food shortage might be prevented in Pakistan.

The Finance Minister then commented on the deteriorating position of the United States in Pakistan. There is increasing criticism of U.S. policies and the charge has been made that the U.S. is interfering in internal affairs of Pakistan. He thought that some of this attitude had been dormant and had been brought to life following Prime Minister Noon's March 8 speech criticizing the United States. Since that date, there has been increasing adverse comment in the press, in public opinion, and in the National Assembly. He gave four reasons why he thought such criticism was increasing: (1) the upcoming election in which the opposition was attempting to find something with

¹ Source: Department of State, Central Files, 033.90D11/9-2458. Confidential. Drafted on September 29 by Henry W. Spielman.

which it could belittle the present Government of Pakistan; (2) an attempt to find a scapegoat to explain the deteriorating economic condition and general frustration felt by many people; (3) the increasing influence of the PIDC and the antagonism of its president toward the U.S.; and (4) the Pakistanis' inability to understand why the U.S. continues to aid India. The Finance Minister said he understood why the U.S. gave aid to India, but most of his colleagues and the large section of the general public did not. He mentioned that Indians publicly opposed the U.S. in such forums as the U.N., condemned actions taken by the U.S. to defend the free world, and yet refused to solve problems on its own door step. Mr. Rountree said that the State Department was aware of these feelings in Pakistan and the actions taken by official and non-official Indians, but that we believe it was in the interest of the free world to help India carry out its Second Five Year Plan. A strong India that is supporting democratic institutions is an important force in the free world and a good counterinfluence to communism in Southern Asia.

Mr. Ali then brought up the problem of the influence of PIDC (Pakistan Industrial Development Corporation) and its principal officer, Mr. Ghulam Faraque. He said that the PIDC was of increasing economic and political importance. It has built and is in the process of building numerous industries and today is in the position of giving employment to a large number of people at all salary levels, awarding contracts to favorite friends, purchasing supplies and equipment through cooperating firms and influencing editorial policy through its advertising in local newspapers. For reasons unexplained by Mr. Ali, Mr. Faraque has been anti-American and through his large-scale activities is able to spread his anti-American feelings.

The Finance Minister stated that the Government of Pakistan was giving no serious consideration to devaluation.

As to his own future, Mr. Ali said that he did not know what his status would be when he returned to Pakistan. He would reach Karachi on October 2 and hoped to see Mr. Dillon. Mr. Ali pointed out that it was most unusual and almost unprecedented for the Prime Minister to appoint an acting Finance Minister when the Finance Minister was out of the country.² He hoped that on his return he would be given the Foreign Ministry portfolio and if not, he would resign from the government.

² On September 16, Noon appointed Hamidul Huq Choudhury to serve as Acting Finance Minister during Amjad Ali's absence.

321. Telegram From the Embassy in Pakistan to the Department of State¹

Karachi, October 5, 1958—noon.

785. Eyes only for Secretary and Under Secretary. Comment on Embassy telegram 775.² The degree of bitter public ridicule of recent and continuing maladministration of the affairs of the GOP and of its two provinces may provide sufficient popular support for the imposition of President's rule upon the country to minimize immediate violent reactions, despite the lowered esteem which Iskander Mirza commands in common with legislative and administrative leaders of government, if the armed services of Pakistan stand solidly behind the President when he takes over, as Mirza claims they will. The army does have the respect of the people.

However, it is probable that accusations of US and even UK interference in the internal affairs of Pakistan will be provoked by President's rule. These may well come from all political parties in circumstances in which elections will again be postponed. Mirza's pro-West posture may well provide the unthinking with seeming justification for such accusations.

Arrests, which may mount beyond Mirza's expectations, may contribute to violence or to nonviolent resistance which can end in violence.

The immediate cause of Mirza's fear for Pakistan is compounded of (1) threat of a takeover by the army itself if the President himself does not act, and (2) stepped up Communist, UAR, and Indian subversive activities in combination with rising provincial disintegrative influences.

Back of the immediate causes (or justifications) lie Mirza's personal predilections for dictatorial rather than democratic processes in an illiterate and Muslim nation, and Mirza's desire to remain in power. These considerations are diluted by Mirza's nationalism and an honest desire on his part to see his country acquire internal political and economic health and attain international respect.

Mirza tells me he has been urged for at least a year by some within the army (General Umrao for one) to take over, but that he has told them the "politicians must first be permitted to make asses of

¹ Source: Department of State, Central Files, 790D.00/10-558. Top Secret; Niact.

² In telegram 775, October 4, also captioned "eyes only for Secretary and Under Secretary," Ambassador Langley reported that President Mirza informed him that day that "he would take over the Government of Pakistan probably within a week and simultaneously proclaim martial law. The constitution will be suspended, a commission created to write a new constitution, and elections now scheduled for February 15 will not be held." Mirza told Langley that he was taking over to prevent a seizure of power by the army. (*Ibid.*, 790D.00/10-458)

themselves." Almost everyone in Pakistan would agree that this is what the politicians have now done. However, President's rule will postpone elections and reaction to this aspect of the takeover may more than offset other considerations and result in "direct actions" which could produce widespread violence or, at least, smoldering and dangerous resentments with violence to follow later.

The President has in mind and hand only rough outlines of his course of procedure following imposition of President's rule, and even the manner and the timing of that will depend upon the advice and assent of the army, as expressed in consultations with General Ayub which begin October 6. To the extent he can find and then induce good administrators to carry on the processes of government and able "lawgivers" to revamp the constitution will depend the ultimate success of his contemplated action.

Mirza believes constitutional reform is essential to establishment of stable government in Pakistan. He is probably right to the extent that the form of government alone can influence governmental stability. What Pakistan now has is a hybrid, part British and part American in form, and the results have not been dissimilar to recent experiences in France with somewhat similar forms.

The Embassy has made no effort to attempt to influence Mirza's decision one way or another in this situation, in consultation with Under Secretary Dillon and Ambassador Cumming. Mirza does recall statement of US position in Department telegram resulting from prior Mirza consideration of takeover last winter.³

The Embassy will seek assurances from Mirza of police and army protection of foreign nationals if the takeover occurs and will undertake every possible security precaution it can to protect American lives and property.⁴

Langley

³ Reference is to Document 296.

⁴ In telegram 791 from Karachi, October 6, Langley reported that the application of Presidential rule and martial law upon Pakistan would take place at 11 a.m. on October 8. "There is no evidence of other than unanimous army support for the takeover," the Ambassador commented. "Ayub, like Mirza, will support pro-West policies. He will want continued US aid. I believe the military will be united in this." (Department of State, Central Files, 790D.00/10-658)

322. Telegram From the Department of State to the Embassy in Pakistan¹

Washington, October 6, 1958—7:32 p.m.

753. For Ambassador. Reference Embtel 791.² Based on information contained reftel, Department apparently faces three choices:

(1) Actively support Mirza–Ayub takeover. This could stimulate violent anti-West and particularly anti-US reaction on the part of political groups and dissident army elements especially if and when they in turn might topple Mirza–Ayub rule. In any case US support takeover would presumably alienate important segments Pakistan population who, as dictatorial regime finds it necessary to apply repressive measures to insure its survival, will become progressively more disillusioned with that regime and its American supporters.

(2) Actively oppose Mirza–Ayub takeover even to extent of threatening to withdraw or reduce aid. Danger in this course is that, should Mirza and Ayub be correct in fearing Muslim League-led army revolt, US Government could be accused, should such revolt eventuate and succeed in disposing of present government, of having betrayed Mirza and Ayub, two staunchest supporters of pro-West and pro-American policies in Pakistan. We could also be accused of having done this without adequate information upon which to evaluate the dangers posed by the Muslim League-led junior army elements to the pro-Western regime of Mirza–Noon–Suhrawardy.

(3) While expressing our belief in democratic, popularly based governments as in the long run assuring greatest good to greatest number of people of any country and while making clear we are not convinced of Pakistan's immediate need to depart from democratic institutions, take position, if only by implication, that ultimately final decision must be by Pakistan leaders.

In view of dangers to US in taking either of first two courses of action noted above, and in view of fact that your reports indicate Mirza and Ayub have already firmly and independently made up their minds to take over Government of Pakistan, Department requests you soonest to make oral presentation to President Mirza along following lines:

Ambassador recalls his conversation with President on May 24, 1958. In that conversation Ambassador, under instructions from his Government, reviewed with President attitude of United States to changes in Government without prior reference to the people.³ In light highly appreciated confidential information which President has

¹ Source: Department of State, Central Files, 790D.00/10–658. Top Secret; Niact; Limit Distribution. Drafted by Bartlett, cleared (in final draft form) by Rountree, and approved by Herter.

² See footnote 4, *supra*.

³ See footnote 3, Document 312.

kindly furnished Ambassador and through him to United States Government, Ambassador has been instructed to set forth again United States Government's basic position. This position is that United States is firmly convinced all countries have both basic right and basic responsibility to choose for themselves whatever form of government they believe is best suited to insure happiness and welfare of their people.

Nevertheless, United States Government would not be reciprocating confidence with which President has spoken with Ambassador if it did not reiterate to President the fundamental belief of United States in democratic institutions. Government and people of United States for almost two centuries have conducted their own affairs on this cardinal principle that, in long term, democratic government was superior to any form of authoritarian government in assuring welfare of American people and development of their institutions and economy.

While in some instances democracies have had to depart temporarily from basic principles upon which their institutions are founded (but only as last resort and then only to protect those institutions in the long run), we do not have evidence to show this stage has been reached in Pakistan. United States Government, as friendly Government which respects sovereignty of Pakistan and cherishes its own close and friendly bonds with that country, therefore trusts that any decision to set aside Pakistan's consistent dedication to continuing development of its democratic institutions should be taken only after most serious consideration.

Should Pakistan's sovereign decision remain unchanged, United States Government hopes leaders of that Republic will endeavor to use their authority in such a way as to insure expanded economic and social welfare of their people and that interval of restricted rule might be as short as necessary to preserve democracy in Pakistan and to insure conditions under which free elections, already scheduled, may be held.

Herter

323. Editorial Note

On October 7, President Mirza issued a proclamation that abrogated the Pakistani Constitution, dismissed the Central and Provincial Governments, dissolved the National and Provincial Assemblies, abolished all political parties, proclaimed martial law, and appointed General Ayub Khan as Chief Martial Law Administrator. The Embassy reported this development in telegram 816 from Karachi, October 8. (Department of State, Central Files, 790D.00/10–858)

324. Memorandum From the Director of the Office of South Asian Affairs (Bartlett) to the Assistant Secretary of State for Near Eastern and South Asian Affairs (Rountree)¹

Washington, October 7, 1958.

SUBJECT

Political Evolution in Pakistan

Pakistan's steps toward the development of a stable constitutional government in eleven years of independence have been halting. It was almost nine years (1956) after independence that a democratic constitution was promulgated. By mid-summer 1958 it appeared that momentum toward the holding of elections no later than February, 1959, had achieved such force that it would be politically impossible to delay elections except through the intervention of authoritarian government. However, political tension began to mount and by the end of September political activity had resulted in incidents of violence in both East and West Pakistan. Popular disillusionment with the politicians forming the ruling group hit a new high, and cynicism re the improbability of eventual improvement characterized the political atmosphere. There was real doubt as to whether elections would in fact alter the basic political situation even if held as scheduled. Although events visible on the surface did not seem to offer a ready-made excuse for an authoritarian takeover, the public, including intellectuals, civil servants, Army officers, and the press, were perhaps better prepared than at any time in the past to accept extremist alternatives to the existing situation.

¹ Source: Department of State, Central Files, 790D.00/10–758. Top Secret. Drafted by Howison.

President Mirza has for several years made it clear privately that he was inclined toward "controlled democracy", by which he clearly meant a republican, authoritarian form of government embodying a powerful executive on what he conceives as the "American" rather than the "parliamentary" pattern. Although we had speculated for many months that Mirza might "take-over" when circumstances were propitious, we had no reason to believe that a revolutionary timetable had been set. In recent months there was increasing evidence that the leaders of the Pakistan Army, who have long played a powerful but passive role in upholding the regime, were becoming increasingly sympathetic to the idea of authoritarian government.

On October 4, Mirza informed Ambassador Langley that he would take over the country within a few days. It is apparent that Mirza took the USG into his confidence almost as soon as his plan of action was formulated and agreed to by the key military leaders involved. On October 6 Mirza informed the Ambassador that the take-over would take place on the night of October 8. It was not immediately clear to what extent Mirza would attempt to abide by Pakistan's present Constitution (which provides him with special emergency powers) while formulating the new constitution which he proposes to establish.

US Attitude:

Foreign policy issues are not directly involved in the present crisis. Mirza and Ayub, who would apparently dominate the new regime, have been architects and pillars of Pakistan's pro-western foreign policy. Our concern arises from our interest in Pakistan's stability, which we are not sure will be enhanced by authoritarian government, and from the fact that we might to some degree be ascribed responsibility, both by Pakistanis and others, for the suspension of democratic processes in Pakistan.

The U.S. Government has consistently sought to encourage in Pakistan the development of stable and representative government. This attitude has been implicit in our conduct toward Pakistan and has been made explicit to key Pakistani leaders, including Mirza. When the basic NSC policy paper on South Asia was rewritten in January 1957 (NSC 5701) the phrase "and representative" was included in the statement on the kind of government in Pakistan most compatible with U.S. interests. In a manner consistent with the principle of non-interference in Pakistan's internal affairs, our efforts, both overt and covert, have been designed to encourage orderly development toward a stable regime under Pakistan's democratic constitution of 1956. For example, we have given discreet encouragement to efforts to hold Pakistan's first national direct elections under the new constitution. These elections were recently foreseen as taking place in February,

1959. Our Ambassador in Pakistan, acting on instructions and in the face of repeated indications from President Mirza that he was contemplating a possible authoritarian take-over, informed Mirza in May 1958 that, while the matter was of course one for Pakistanis themselves to decide, the people of the U.S. had for almost two centuries acted on the principle that in the long term democratic government is best.

This U.S. attitude has been predicated upon the view that, while a deterioration in the democratic process might at some point necessitate an authoritarian interlude in order to preserve stability, a popularly-based regime appeared to hold the best prospect for long term political stability in Pakistan.

325. Telegram From the Embassy in Pakistan to the Department of State¹

Karachi, October 8, 1958—5 p.m.

827. Paris pass USRO Thurston and West. Last night's events, during which a semblance of democracy was replaced by a semblance of dictatorship, can be placed in two different but complementary perspectives.

From short range point of view, even most single-minded Pakistan admirers of democracy were somewhat appalled at what the four long months between now and the scheduled February 15 date for elections might hold in store for Pakistan in view of the flood of demagoguery which has swept the country since the election campaign started. Just to mention a few examples, we have seen incitement to war against India, incitement to revolt and bloody revolution, growing mob demonstrations in connection with one pretext or another, and finally a spectacular and headline catching episode in the form of the fighting in the E. Pakistan Assembly culminating in the wounding of the speaker and the killing of a deputy speaker.

The longer range perspective covers those fundamentals of Pakistan scene which have been reported at length by this mission and Consulates over long period: The disenchantment of Pakistanis with Pakistan resulting from economic disappointment; foreign policy frus-

¹ Source: Department of State, Central Files, 790D.00/10–858. Confidential; Priority. Repeated to New Delhi, Tehran, Ankara, Baghdad, London, Paris, Kabul, Lahore, and Dacca.

trations in Muslim world as well as in sub-continent; foreign policy disappointments such as the impossible-to-explain large scale assistance given by Pakistanis' American ally to India; the all pervasive graft and corruption, and stillborne republican institutions with a democratic terminology but no substance.

Faced with this situation and even though President Mirza has become increasingly associated in public mind with the above unsatisfactory and despised state of affairs, latter most likely has period of grace in front of him. While obviously the same demagogues and reactionary Muslim elements which have been exploiting dissatisfaction to their own ends, and who had succeeded to such extent that all "in sun" including Mirza had visibly lost ground to them, will continue oppose in every way the present "Duumvirs", Mirza and Ayub, with whatever means remaining at their disposal. Public disgust with Pakistan is such however that we believe people as a whole will be ready to give fair trial to current experiment.

Some of future danger which can now be foreseen fall broadly into two categories:

(1) First ones are likely to arise from difficulties within dictatorial coalition. Indeed, common knowledge no true Duumvirate has lasted in history. While congenitally Mirza and Ayub are made to get along with each other better than most, it would be too much to expect from human nature to assume that today's harmonious marriage is more than an episode in a historical sequence leading to supremacy of one or the other. Parenthetically, it might be observed that since neither rallies over-enthusiastic and overwhelming support of armed forces, possibility of another leader emerging, presumably another general, cannot be excluded. As things look now, if one had to pick between Mirza and Ayub as the ultimate top man, latter with his direct control over the army, which is the solid element and undoubtedly the controlling force in Pakistan today, would be the favorite by a narrow margin. However, whenever Mirza might reach this conclusion himself he could well then turn to one of Ayub's subordinates to form new team preserving his political supremacy. Dangers of such Palace revolutions are obvious.

The second category of difficulties can be foreseen in somewhat more distant future and would grow out of failure on part of present leaders to put period of grace to good advantage: By taking effective steps against graft and corruption, making visible progress in field of agriculture, improving the nation's tax system and finances, and adopting a reasonably democratic constitution. If Pakistan—east and west—can be given impression that real progress is being made towards such major objectives, the present regime could last a long while. If, on other hand, the public derives the impression that a new clique bent on self-enrichment has merely replaced the old one which

had masqueraded in democratic guise, the groundwork for return of old clique will be laid. Indeed, if new regime cannot demonstrate real achievement in reasonable time, political opposition regardless of official bans and interdicts will form beneath the surface, pressure will grow and revolt and revolution of a bloodier type than that experienced last night would become probable.

Langley

326. Memorandum From the Acting Director of the Bureau of Intelligence and Research (Arneson) to the Secretary of State¹

Washington, October 9, 1958.

SUBJECT

Intelligence Note: Coup d'Etat in Pakistan

The coup d'etat by President Mirza and General Ayub on October 7 was motivated by various forces in addition to the revulsion expressed in Mirza's proclamation with the "political adventurers" and "traitors" who were held responsible for political and economic chaos within the country and for endangering Pakistan's international position.

Mirza and Ayub feared Pakistan's first national elections, scheduled for February 1959. Mirza particularly dreaded defeat at the hands of the Noon-Suhrawardy governing coalition which had just survived an assault by Mirza's political allies in East Pakistan. Mirza and Ayub, both of whom depend predominantly on West Pakistan support, probably estimated that the elections would return a government increasingly influenced by Bengali interests who would demand greater autonomy and public funds for East Pakistan. Mirza was probably also concerned that the elections would be exploited to inflame sectarian jealousies, to which he is vulnerable as a member of the minority but influential Shia sect.

The problems with which Pakistan's ineffectual parliamentary politicians could not cope are not likely to be mastered by the military dictatorship of Mirza and Ayub. They are not likely to provide the technical competence to formulate the necessary reforms or to arouse the widespread support which would be required to carry them

¹ Source: Department of State, Central Files, 790D.00/10-958. Secret.

through. Disillusionment with the inefficient and corrupt regimes of the past, although intense, has probably not prepared the general public for the arbitrary abrogation of constitutional government, and particularly in East Pakistan this move will be bitterly resented. It can be assumed that most leading politicians oppose the dictatorship. Support for Mirza and Ayub is probably fairly strong in the armed forces, especially among the leaders; however, the army's new political role may prove distasteful to many both within and outside the armed forces who probably consider that it jeopardizes the army's basic military mission and progress toward the construction of sound political institutions within Pakistan.

A similar memorandum has been addressed to the Under Secretary.

327. Letter From President Eisenhower to President Mirza¹

Washington, October 11, 1958.

DEAR MR. PRESIDENT: Thank you for your personal message regarding recent developments in your country, and for your assurance that Pakistan will honor its commitments and remain loyal to the free world.²

It is always a matter of regret to me, as it must be to you, when a government feels it necessary to resort to extraordinary political measures to avert a national catastrophe. I was therefore gratified by your statement that martial law will remain in effect for the shortest period possible. I understand it is your intention to devise a new constitution and to submit it to a popular referendum.

I can well understand how much deep and anxious thought must have preceded your decision to assume the heavy responsibilities which now rest upon your shoulders. I hardly need emphasize the bonds of friendship and common interest which unite our two peoples. I wish you every success in the momentous tasks of furthering

¹ Source: Department of State, Central Files, 611.90D/10-1158. Secret; Presidential Handling. Transmitted to the Embassy in Karachi in telegram 818, which is the source text. The letter was drafted by Howison and forwarded by Secretary Dulles to President Eisenhower in an October 10 memorandum. The President approved the letter without change on the following day. (*Ibid.*, 110.11-DU/10-1058)

² Footnote [10 lines of text] was not declassified.

the welfare of the Pakistan people and of re-establishing constitutional government in Pakistan.³

Sincerely,

Dwight D. Eisenhower⁴

³ In telegram 884 from Karachi, October 12, Langley reported that he delivered the President's letter that day. Mirza indicated that he was pleased with the contents of the letter and suggested that he might like to release the text after consultation with Ayub. (Department of State, Central Files, 611.90D/10–1258) In telegram 833 to Karachi, October 13, the Department of State informed the Embassy that the White House would prefer that Eisenhower's letter not be released. (*Ibid.*, 611.90D/10–1358)

⁴ Telegram 818 bears this typed signature.

328. Telegram From the Embassy in Pakistan to the Department of State¹

Karachi, October 15, 1958—5 p.m.

928. Re Embtel 827.² Martial law in effect in Pakistan week. While it is of course too soon draw up anything like a definitive assessment of revolution, Embassy believes useful submit following tentative balance sheet of first week in new regime.

On plus side:

(1) Pakistan has for first time in ten years a stable, strong, unified government, not yet menaced by political maneuverings, with prospect of continuing in office indefinitely or until it achieves its ultimate stated goal of restoring democracy in some new and limited form "more appropriate" for Pakistan.

(2) Takeover has been accomplished peacefully; there has been no resistance, and army has not had fire single shot so far.

(3) Political arrests have been held down to reasonable minimum; not more than dozen prominent politicians in all are known to have been arrested.

(4) Action has been initiated promptly and vigorously against corruption, black marketing, profiteering, hoarding, smuggling, et cetera; many arrests made, including that of one prominent political personality, M. A. Khuhro, on charge of black marketing.

¹ Source: Department of State, Central Files, 790D.00/10–1558. Confidential. Repeated to New Delhi.

² Document 325.

(5) Prices which under old regime were high and rising rapidly, have stopped rising with many coming down at least temporarily; food prices particularly have dropped appreciably (from 5 to 30 per cent declines are reported in many parts of country.) Partial rice controls have been imposed in major cities.

(6) Broom of military administration has started sweep clean; more efficient public services, less filth in streets, less disorder and crime, court cases speeded up, beggars disappearing, et cetera.

(7) Open political strife and tension of past months—reflected in super-abundance of over emotional political speeches and irresponsible political articles in newspapers—has disappeared completely; since coup occurred week ago, not single political speech has been reported, not single political comment or editorial of any kind (except of course articles praising new regime) has appeared in press.

While Ayub–Mirza are riding crest and there is no overt opposition to regime, seeds of future trouble have inevitably been planted and will grow in direct proportion to success or failure present team in coping with Pakistan's many—and well-recognized—problems and in their ability to convince country of sincerity their intention lead it back towards workable or working democracy.

On minus side:

(1) Dictatorship has destroyed budding constitutional government (admittedly buds were badly blighted) and displaced parliamentary democracy—such as it was—in Pakistan.

(2) National elections which were scheduled for February and which might, conceivably, have laid the foundation for a more stable and more effective democratic government, will not be held.

(3) Military rule by martial law, uncontrolled in practice by any civilian authority, now dominates indirectly every aspect of life in Pakistan (while civilian agencies continue carry on administration "to maximum extent possible", final power rests mainly and unequivocally with military). There have already been a few—though only few—incidents of innocent civilians getting rough treatment by soldiers.

(4) A serious policy vacuum has been left in governmental structure by disappearance of ministers; while in some departments permanent civil servants appear be carrying on adequately, in others—notable in economic and education areas—absence of initiative, imagination and authoritative competence at policy-making level is beginning be felt.

(5) Basic civil rights, while partly preserved in theory, in practice no longer exist: arrests can be made without warrants, house-to-house searches—allegedly for weapons—being carried out, preventive detention is authorized, no real course is possible against actions under martial law.

(6) Freedom of speech and of press has disappeared; newspapers have been censored which will be lifted today, and in particular no criticism of the present regime is allowed in any form; censorship of incoming periodicals is also partly in effect. Martial law regulations provide heavy penalties for oral as well as written criticism of regime.

(7) Uneasiness and even nascent fear have in past few days begun to make their appearance, whereas at first all was relief and enthusiasm for the new order; many people are beginning to be worried at the absence of any checks on police and of any guarantee of protection against the army's absolute power. Freedom of thought itself is potentially if not actually threatened: Telephones are being tapped on extensive scale; martial law agents and inspectors are beginning to appear—or to be suspected—everywhere; number of "intellectuals" (editors, newspaper writers, professors, some civil servants, even judges) privately admit they feeling distinctly nervous under increasing degree of police control.

Comment: While unstable and generally unsatisfactory nature of late regime was painfully evident and should not be forgotten, and while Mirza–Ayub dictatorship which replaced it already has number of solid items to its credit on plus side of ledger, Embassy believes it is important point out that first week of martial law in Pakistan has also produced some significant—if perhaps less tangible—items on minus side.

Langley

329. Editorial Note

On October 16, at the 383d meeting of the National Security Council, Allen Dulles briefly mentioned recent developments in Pakistan during his intelligence briefing:

"The take-over of political power in Pakistan by President Mirza had so far gone reasonably calmly, said Mr. Dulles, with the Army in complete charge of the country. There had been many arrests. This development in Pakistan, as earlier the military take-over in Burma, provided further indications of how difficult it was to make democracy work effectively in such underdeveloped countries." (Memorandum of discussion by Gleason, October 17; Eisenhower Library, Whitman File, NSC Records)

330. Letter From Secretary of State Dulles to President Mirza¹

Washington, October 17, 1958.

MY DEAR PRESIDENT MIRZA: Despite many preoccupations, particularly with the Far East, my thoughts have frequently turned toward you and the problems you face in relation to your country. It is, of course, with a certain sadness that one sees constitutions suspended and the rule of men substituted, as it were, for the rule of law. Nevertheless, it is never possible to generalize about these matters and I know that you and General Ayub have a selfless dedication to the welfare of your country, so that what under other circumstances would be dangerous can, under these circumstances, be benign.

There is, of course, no single constitutional pattern which can be mechanically applied at all times and under all circumstances. Our own constitutional history has been one of evolution. As originally constituted, our President was elected by an electoral college of distinguished citizens; our Senators were appointed by the Legislatures of the several States; the Federal judges were appointed by the President, with the consent of the Senate, and only the so-called "Lower House" of the Legislature, the House of Representatives, was composed of persons directly elected. We have evolved since then toward a much greater degree of direct control by the people.

I have no familiarity with the Constitution which you initially adopted. But I can understand that just as our Articles of Confederation had to give way to our Federal Constitution, which, in turn, has frequently been amended, so, too, your country's original Constitution may not have proved workable. I gather that a new one will be proposed to take its place, so that Pakistan will again have a constitutional form of government resting upon the consent of the governed.

I know that the changes which have occurred do not alter in any respect the close ties which exist between our two countries, and I write this note merely to assure you of my recognition and appreciation of that fact, and also to let you know that my sympathy goes out to you and your associates as you face the heavy task of finding a form of government adapted to the difficult conditions which confront your nation.²

¹ Source: Department of State, Central Files, 790D.00/10-1758. Personal and Confidential.

² In telegram 983 from Karachi, October 22, Langley reported that he delivered Dulles' letter to Mirza the previous day. President Mirza, he noted, was "much pleased" with the letter. (*Ibid.*, 790D.11/10-2258)

I am, my dear President,
Sincerely yours,

John Foster Dulles³

³ Printed from a copy that bears this stamped signature.

331. Editorial Note

Secretary of Defense Neil McElroy was in Pakistan between October 23 and 27 for an official visit. His trip included stops in Karachi and Peshawar. The Secretary was accompanied by Admiral James S. Russell, Vice Chief of Naval Operations; Oliver N. Gale, his Special Assistant; and Brigadier General A. Randall, his Military Assistant. On October 24, McElroy and his party met with General Ayub Khan and the other Commanders in Chief of the Pakistani Armed Forces to discuss U.S. military assistance to Pakistan. A summary of that meeting was transmitted to the Department of State in telegram 1067 from Karachi, October 30. (Department of State, Central Files, 790D.5–MSP/10–3058) A full memorandum of that conversation, along with a detailed report on McElroy's visit, was sent to the Department in despatch 494 from Karachi, November 28. Ridgway B. Knight, Deputy Chief of Mission in Karachi, commented in the despatch as follows: "As might be expected, Pakistanis seized the opportunity of Mr. McElroy's visit to present to him their military shopping list. Their manner of presentation at the conference on October 24 was convincing and well done. Although the Pakistani military did not hope to get any firm commitments at the time, by continually presenting requests for military assistance to all visitors on appropriate occasions they hope thereby to achieve their ends." (*Ibid.*, 033.1100–MC/11–2858)

332. Editorial Note

On October 27, General Ayub Khan assumed the office of President of Pakistan, following Mirza's resignation. The Embassy reported this development to the Department of State in telegram 1029 from Karachi, October 28. (Department of State, Central Files, 790D.00/10-2858)

At the 384th meeting of the National Security Council on October 30, Allen Dulles discussed the political changes in Pakistan during his survey of significant world developments affecting U.S. security:

"Mr. Dulles stated that the take-over in Pakistan by the Chief of Staff, General Ayub, could be considered the logical result of the coup d'etat which had taken place earlier. Ayub's assumption of complete power was likely to improve the situation generally in the country. The only real problem would be East Pakistan, which will not be very happy at the prospect of military rule from West Pakistan." (Memorandum of discussion by Gleason, October 31; Eisenhower Library, Whitman File, NSC Records)

333. Letter From the Director of the Office of South Asian Affairs (Bartlett) to the Ambassador in India (Bunker)¹

Washington, October 27, 1958.

DEAR ELLSWORTH: Ever since the Pakistan takeover. I have been meaning to write to you on a personal basis but have put it off for one reason or another. Your telegram 963 of October 27² encourages me, however, to carry through with my original intention.

When the takeover took place so soon after the Iraq and Burmese "incidents", I was very dispirited. It seemed to me that the takeover meant that in one more country, and a country which was a good friend of the United States, the light of the democratic ideal had been

¹ Source: Department of State, SOA Files: Lot 62 D 43, India 1958. Secret; Eyes Only; Official-Informal.

² In telegram 963, Bunker commented in part as follows: "I believe we must consider whether a public announcement by the US implying new aid to Mirza and Ayub, particularly military aid, so soon after they have abrogated all democratic institutions in Pakistan will not strengthen the hands of those in India who argue that democracy is not the best course for India to follow. I believe that it will. Moreover, such an announcement will certainly arouse serious doubts in India as to where the US really stands on the issue of democracy versus dictatorship. The consequences in the long run for the moral standing and reputation of the US in India, and indeed elsewhere, may be serious." (*Ibid.*, Central Files, 790D.5-MSP/10-2758)

snuffed out. What made it worse, in my personal opinion, was that because of the larger issue of national freedom versus Kremlin hegemony, we were not in any position to protest. Our belief in democracy as a way of life for mankind had to give way to the stark realities of our own immediate national security interests. Yet, I argued with myself that in the longer term battle for men's minds we would be at a disadvantage if we could not offer with heartfelt conviction the democratic ideals which lay behind our Declaration of Independence and to a lesser extent our Constitution. "Faith in stability" is not an appeal to lift men's souls and to insure dedicated self-sacrifice if necessary. Under a strict interpretation of Pakistan's national law, our USIS librarians could theoretically be imprisoned for long terms if they urged their Pakistan readers to take out a copy of our Declaration of Independence or the writings of Thomas Jefferson. (Indeed, for the moment at any rate, we probably will find it unwise to send lecturers to Pakistan who might extol what we consider to be the virtues of democratic government.) Actually, I felt so badly at the time that I almost sought an interview on a personal basis with George Allen, but decided eventually not to impose myself on him since I am sure he must have given this basic problem much anxious thought.

Since those early days after the takeover, the Department has at very high levels stressed in its own thinking that Mirza in his first proclamation promised to "devise a constitution more suitable to the genius of the Muslim people" and that similarly Ayub unequivocally announced that his and Mirza's "ultimate aim was to restore democracy, but of the type people can understand and work." (While in the course of dictating this letter, we received the announcement that Mirza had resigned, turning over all his powers to Ayub, so I guess quoting Mirza is no longer much to the point!) The Department also had been considering the content of the word "democracy" as distinct from that of "republic" and several of us have done some homework on the philosophies of Hamilton and Jefferson and the concept of dictatorship by the majority. Even Jefferson in his first inaugural address stated: "All, too, will bear in mind this sacred principle, that though the will of the majority is in all cases to prevail, that will to be rightful must be reasonable; that the minority possess their equal rights, which equal law must protect, and to violate would be oppression." The conclusion has been that in the first instance our hope is that a government can be established which is essentially based on the consent of the governed. The form which it takes would appear to be of secondary importance and, of course, subject over the years to modification as has been the case in our own government. This still leaves us, however, as I see it personally, with the question of what basic ideology we propose to offer as a positive alternative to Communist totalitarianism.

[Here follows a brief personal reference.]
 With best wishes always,
 Sincerely yours,

Frederic P. Bartlett³

P.S. Please excuse inked corrections, but I wanted to get this in the mail tonight.⁴

³ Printed from a copy that bears this typed signature.

⁴ The postscript is handwritten. There are minor handwritten corrections in the source text.

334. Telegram From the Embassy in Pakistan to the Department of State¹

Karachi, October 31, 1958—1 p.m.

1083. Athens (for Secretary McElroy). Kabul (for Ambassador Langley). Reference: Deptels 1004 and 992; Embtel 1063.² Not knowing exactly when we would be seeing President Ayub within next few days and the time factor being important, I decided to ask for a few minutes of his time and saw him this morning within hour after request.

Making clear Ambassador was absent in Kabul, I said I had most pleasant task to discharge today in that I had come to express on behalf of USG sincere good wishes for his success in achieving important goals which he has set himself for promoting welfare of people of

¹ Source: Department of State, Central Files, 790D.00/10-3158. Confidential; Priority. Repeated to Athens and Kabul.

² In telegram 1063 from Karachi, October 30, Langley reported that the Air Attaché in Pakistan had just received a message from McElroy for delivery to Ayub congratulating him on his assumption of the office of President of Pakistan. Langley noted that he was withholding delivery of the message because he believed the question of recognition might still be open. He requested the Department's urgent instructions. (*Ibid.*, 790D.11/10-3058)

In telegram 992 to Karachi, October 29, the Department stated that although a message had not yet been sent to Ayub comparable to that sent to Mirza after the original takeover, "this has only been because we have not had ourselves message to which it would be appropriate reply." The Department suggested, however, that Langley might wish to indicate to Ayub that the U.S. Government's attitude toward him "is exactly same as our attitude towards his predecessor." (*Ibid.*, 790D.00/10-2958) In telegram 1004 to Karachi, October 30, the Department informed Langley that it concurred with his withholding McElroy's letter until after he made the démarche as instructed in telegram 992. (*Ibid.*, 790D.00/10-3058)

Pakistan. I went on to say that USG had also noted with gratification that his ultimate aim, as indicated in his declaration of October 8th, was to restore workable constitutional government in Pakistan. I assured President Ayub that wherever appropriate and within its available resources USG desires assist GOP in future as it has in past.

President Ayub said he was not surprised. He had expected such a message from such warm friends as the US. He was much pleased however to receive this expression of good wishes which he heartily reciprocated. He asked me to assure USG that recent developments have, if anything, strengthened Pakistan's faithfulness to its alliances. Pakistan is more than ever on the side of the free people of the West. Continuance US aid is matter of life and death to Pakistan. He stressed his view that Pakistan revolution unique in recent times in that it was a revolution away from Communism rather than towards Communism.

I then handed the President Secretary McElroy's personal message of congratulations.

In concluding above brief ten minute conversation, President Ayub asked me to convey to USG his conviction that Pakistan-US relations would continue closer than ever.

Knight

335. Letter From the Assistant Secretary of Defense for International Security Affairs (Irwin) to the Under Secretary of State's Special Assistant for Mutual Security Coordination (Barnes)¹

Washington, November 21, 1958.

DEAR MR. BARNES: In your letter of November 3,² you raised several questions of a military nature regarding Pakistan, the answers to which you consider necessary in order to enable the Interagency Working Group to arrive at a balanced study of that country. The answers below correspond to the numbered questions in your letter.

1. (a) Strategic Force Objectives for Pakistan are designed to assist that country in maintaining internal and external security. They take into account the physical separation of West and East Pakistan. (b) No

¹ Source: Department of State, Central Files, 790D.5-MSP/11-2158. Secret.

² Not found.

part of the Strategic Force Objectives envisions any military missions additional to those cited in (a) above. [3¹/₂ lines of source text not declassified]

2. Currently established JCS Strategic Force Objectives for Pakistan are considered the minimum essential for the stated purposes.

3. The elimination or substantial reduction of those forces now maintained by Pakistan beyond current JCS force levels would require no revision in JCS Strategic Force Objectives, but would be almost certain to impel Pakistan to press for a compensatory increase in MAP supported forces.

4. Qualitative improvement of Pakistani forces, in order to effect reductions, would, to a large degree, depend upon the ability of Pakistan to receive, operate and maintain the more sophisticated military hardware that qualitative improvement would introduce. There are serious reservations concerning the ability of Pakistan to absorb more advanced equipment. Additionally, the introduction of more advanced weapons systems might well prove to be prohibitively costly, not only from a U.S. point of view, but also from a Pakistani point of view. The over-all question of force reduction and/or improvements would have to be studied in the light of new U.S. policy objectives for Pakistan if and when such are established by the NSC.

5. The changed situation in the Middle East arising out of the coup in Iraq, the London Declaration and the lack of progress in mitigating Indian-Pakistani antagonism are all under continuing study in the Department of Defense. While the ultimate effects of these factors cannot as yet be known with certainty, the FY 1959 and 1960 MAP as proposed by the DOD do reflect current U.S. military requirements with regard to Pakistan.

6. To the degree that the MAP force objectives contribute to the security of Pakistan, they contribute substantially to the safety of U.S. military facilities there. They are not, however, specifically designed to meet United States requirements in this regard, except insofar as these requirements are ancillary to their overall missions. Should additional MAP support be sought by Pakistan as quid pro quo for additional base rights, solution to the question would be in the political, rather than in the military area.

It is hoped that the information and views furnished above will enable the Working Group promptly to complete its study and clear the way for implementation of the remainder of the FY 1959 program.

Sincerely yours,

John N. Irwin II

336. Editorial Note

On November 26, the United States signed a new agreement with Pakistan under Title I of Public Law 480. Under the agreement, the United States pledged to provide Pakistan with approximately \$82.15 million worth of wheat, soybeans, rice, ocean transport, cotton, and other commodities. The agreement was effected by an exchange of notes in Karachi between Ambassador Langley and Finance Minister Shoaib; for text, see 9 UST 1427. Documentation on the negotiation of the agreement is in Department of State, Central File 411.90D41. P.L. 480, Agricultural Trade Development and Assistance Act of 1954, was approved by the President on July 10, 1954; for text, see 68 Stat. 454.

337. Despatch From the Embassy in Pakistan to the Department of State¹

No. 509

Karachi, December 4, 1958.

REF

Deptel 1299, December 2, 1958²

SUBJECT

Progress Report on the Operations Plan for Pakistan and Comments on the Report on South Asia (NSC 5701)

In accordance with the Department's instructions, I transmit herewith a further progress report on the Operations Plan for Pakistan, and another enclosure with comments and suggestions relating to the Report on South Asia (NSC 5701).³ Our examination was conducted throughout in the light of the recent change in the form of Government in Pakistan.

As I reviewed these documents, I was impressed by the desirability of engaging in some searching thought about basic considerations which underlie the reference NSC papers.

¹ Source: Department of State, Central Files, 611.90D/12-458. Secret.

² Telegram 1299, also sent to New Delhi, Colombo, and Kabul, requested contributions to the OCB Report on South Asia and any proposed revisions in the OCB Operations Plan. (*Ibid.*, 611.90/12-158)

³ These enclosures, which totaled 32 pages, are not printed. For text of NSC 5701, see *Foreign Relations, 1955–1957*, vol. VIII, pp. 29–43.

First, I would like to suggest that the Department of Defense conduct a thorough review of its purely military objectives in Pakistan. I can find no indication that such a fundamental strategic reappraisal in connection with the Pakistani military program—at least to the point of restated conclusions—has been conducted since the inception of our present course of action, which was inaugurated with the Aide-Mémoire of October 10, 1954.⁴ It would appear only reasonable to admit the possibility of desirable changes in the light of technological and other military developments which have taken place in the intervening years.

Subsequent to such a strictly military reappraisal, I assume that we would wish to inject political and economic considerations, some of which might be overriding.

As part of the political reappraisal, I would welcome a clarification in our thinking as to our precise objectives in Pakistan. Indeed, the initial general objective contained in the reference material is couched in such general phraseology that, without any change, it remains just as valid after the two coups d'état of October 1958 as it was before.

In broad terms, and while recognizing the difficulties of reaching U.S. Government-wide agreement on such matters, in view of the many and genuinely interested Government agencies, I would like to see us address ourselves to questions such as these:

—Is our main objective in Pakistan military and strategic?

—Is Pakistan's main value to the United States represented by its airfields with their SAC potential as important constituent parts of the widely dispersed and essential ring of airfields around the USSR, and therefore as important parts of the over-all deterrent to Soviet aggression?

—For what specific purposes does the United States need Pakistan's five and one-half divisions constituting the present basis for MAP support?

—Have we sufficiently considered that these divisions—short of an iron-bound U.S. guarantee against India—would in their great majority remain pinned down along the Indian and Kashmir borders in case of hostilities, be they of a general or of a brush fire nature? (I state this hypothesis as a fact since it is primarily a matter for political rather than military determination.)

—Are we instead assisting and participating in this ground forces program primarily as a price for the related SAC air base potential?

Or instead

—Is our main objective in Pakistan political and psychological in essence?

⁴ The aide-mémoire was actually dated October 21, 1954; see *Foreign Relations, 1952-1954*, vol. xi, Part 2, p. 1869.

—Is our underlying purpose the defeat of communism on the sub-continent through insuring its development and viability by non-communist methods?

(Other questions could readily come to mind.)

I ask these questions fully realizing that our purposes are at times the product of complex circumstances and therefore can resist any analysis. Nevertheless, I believe positive answers to such questions, if possible, would greatly assist in further refining our planning and thinking for the years ahead. These answers might also help us to prepare some type of transitional program—if such is deemed advisable—which will prove both politically palatable to the Pakistanis and in harmony with our long-term goals.

If our basic purpose should be military, then our present type of yearly programs would appear to be adequate to perform what would essentially continue to be a holding operation. If, on the other hand, our main purpose is political and psychological, these much longer range objectives can hardly be achieved through our present approach or with present levels of aid. Likewise, it would be vain to address ourselves to such a vast undertaking except on the basis of a “sub-continental approach”, and, if at all possible, with the help of those European allies who, thanks to our enlightened post-war assistance, are now themselves in a position to give some help to others.

I realize that I may be raising more problems than I am solving, but I feel the need, after a year and a half in Karachi, for a re-examination from the ground up of our true objectives and assumptions with reference to Pakistan in particular and, with due regard for my sub-continent colleagues, with reference to the sub-continent as a whole.

James M. Langley

338. Telegram From the Embassy in Pakistan to the Department of State¹

Karachi, December 16, 1958—5 p.m.

1437. Pass Defense. Reference: Embtel 1404.² Instructions to district engineer, trans-east district, include statement, "Pakistan FY 1959 program currently deferred pending clarification political situation in Pakistan."

Instructions "request ur (district engineer) recommendations predicated on assumption that FY 59 MAP (except Kharian water) will be deferred altogether or until late this fiscal year."

This first information Embassy has had of reason 1959 program delayed, and is most disturbing when every political consideration which is valid dictates no further delay in approval. New regime is accomplished fact. New regime has all the way insisted it would and has in fact honored its commitment to US. New regime has effected president-cabinet-secretariat form of government which is working and regime continues to be held in domestic esteem in general.

It is [in] interest US the new regime succeed and restore promised constitutional representative government, even though in limited form. It cannot succeed without continued US dollar aid, both military and economic, this FY. Further deferment approval 1959 MAP program can only be considered by new regime as slap in face which could produce most undesirable results with possible disintegration new regime, producing chaotic conditions bordering on anarchy in Pakistan.

In view current negotiation bilateral agreement in accordance with London declaration BP meeting and tentative ministerial meeting BP in Karachi month hence, refusal US to approve 1959 MAP program even more incomprehensible.

US professions of friendship for new regime meaningless without supporting action.

I am not hereby urging approval complete MAAG recommended 1959 program, but I am once more insisting a 1959 program should be approved immediately. Once more, too, no matter what US does now

¹ Source: Department of State, Central Files, 790D.00/12-1658. Secret; Priority. Repeated to Paris for EUCOM, USRO, and Thurston.

² In telegram 1404, December 11, Langley reported that evidence was increasing that President Ayub and the new regime, especially its military component, was "greatly exercised and disturbed at failure US to approve 1959 MAAG [MAP] program." He noted that fear was mounting in Pakistan that the U.S. failure to approve the 1959 program constituted a "sign of disapprobation of new regime which belies assurances otherwise given it of US support." (*Ibid.*, 790D.5/12-1158)

so belatedly it has already thrown away much of benefit accruing to it in good will.³

Langley

³ Langley called on Foreign Minister Qadir on December 20 and pointed out to him that although the military assistance program had not yet been approved the delay was not due to political reasons. The Ambassador reported that Qadir “welcomed my assurances political considerations not involved.” (Telegram 1474 from Karachi, December 21; *ibid.*, 790D.5–MSP/12–2158)

339. Memorandum From the Assistant Secretary of State for Near Eastern and South Asian Affairs (Rountree) to the Under Secretary of State for Economic Affairs (Dillon)¹

Washington, January 7, 1959.

SUBJECT

Pakistan Military Aid—Request for Further Interim Program Approval FY 1959

Background

Some time ago, at your request, an inter-agency working group was established under State chairmanship to examine the question of military assistance to Pakistan in the light of the imminent completion of deliveries under the 1954 commitment. The working group early determined that it would not evaluate this question except in the context of certain major factors. These included inter alia the adequacy of NSC 5701, the implications of the study of the “Estimated Recurring Maintenance Cost of the Armed Forces of Pakistan” prepared by the Department of Defense costing team,² the deteriorating basic economic situation in Pakistan, re-examination of U.S. military objectives in Pakistan vis-à-vis need for internal security, protection against limited external aggression, participation in the Baghdad Pact and SEATO and India–Pakistan, Afghanistan–Pakistan relations. Additionally, of course, re-evaluation of the basic political situation in Pakistan and United States relations with the new government was necessitated by the October coup.

¹ Source: Department of State, Central Files, 790D.5–MSP/4–1459. Secret. Drafted by L. Wade Lathram and concurred in by Dennis A. FitzGerald of ICA and Rear Admiral Bergin of DOD/ISA.

² Not found.

Much of the analysis of these factors has now been completed though the basic economic analysis is still in process. In the course of its deliberation, the working group has been able to reconcile basic initial differing views. It is now proceeding on a crash basis to complete the study and it is expected that by the middle of January its report will be ready for high level consideration. However, when the final report is submitted and the conclusions reviewed, consideration must be given to its impact upon the work being undertaken by the Draper Committee.³ It would seem desirable to avoid final conclusions, or at the minimum, commitments to the Government of Pakistan which might pre-judge the conclusions of that Committee.

In the meantime, quite understandably, pressures have been building by the Government of Pakistan (which is aware of the re-examination currently underway), and U.S. Embassy Karachi, for approval of the FY 1959 Military Assistance Program. Ambassador Langley feels very strongly that we should move forward at least with interim approval of a portion of the FY 1959 program (Tab A).⁴ The Department of Defense has from the outset proposed a matériel program for FY 1959 at a level of \$61 million as MAP chargeable, plus \$6.7m. as excess at no charge to program. For FY 1960 the Department of Defense proposals are at approximately the same level and directed essentially to end results equivalent to those of the FY 1959 program. Of the FY 1959 program, \$23.7 million, covering the light bomber squadron, have been approved. In addition, Defense has been informally authorized to proceed with certain administration and change order charges in the construction program amounting to \$3.2 million. Details of the proposed FY 1959 Pakistan MAP, identifying those items already approved, are set forth in the attached table (Tab B).⁵

Discussion

While all aspects of its examination have not yet been completed by the Working Group, certain basic conclusions have been agreed upon which are pertinent and which in our opinion warrant immediate interim approval of certain major components of the FY 1959 program. Some of these conclusions broadly stated are as follows: (a) the basic elements of NSC 5701, broadly interpreted, still provide adequate policy guidance; (b) United States interest still lies in sup-

³ On November 24, President Eisenhower appointed a special committee under the chairmanship of William H. Draper, former Under Secretary of the Army, to undertake an analysis of the military assistance aspects of the U.S. Mutual Security Program. A subcommittee of the Draper Committee, headed by George C. McGhee, Director of the Middle East Institute and former Ambassador to Turkey, and Admiral Arthur W. Radford (ret.), former Chairman of the Joint Chiefs of Staff, was scheduled to visit Pakistan, February 11-14; see Document 344.

⁴ Not attached, but reference is to telegram 1404 from Karachi; see footnote 2, *supra*.

⁵ Not attached.

porting 5½ divisions in Pakistan; (c) while their economic burden on Pakistan is sizable, it is neither in United States political interest nor Pakistan security interest to attempt to persuade the Pakistan Government to eliminate the 2½ non-MAP supported divisions which Pakistan feels it essential to maintain, but these latter units should not be brought up to the military effectiveness of the MAP supported units; (d) it is neither in the political nor military interest of the United States to permit deterioration of the effectiveness of MAP supported units, and insofar as prevention of such deterioration results in modernization, such modernization should proceed, though improvement of force capabilities should be held within this criterion; (e) it is in United States interest, in the context of Pakistan participation in the Baghdad Pact and SEATO, Pakistan relations with its neighbors, and in the light of the domestic program being aggressively undertaken by the new government, that we take no action which would imply a diminution of United States support; (f) these objectives can be achieved within the limits of economic and military assistance presently proposed for FY 1959 and FY 1960, though they entail a recognition of the fundamental premise of NSC 5701 that United States aid support will be required for Pakistan probably for an indefinite period.

In this connection it should be noted that the Government of Pakistan has indicated a strong intention to reexamine and to tighten up its financial position, including reexamination of military expenditures (Tab C).⁶

In light of the above, we feel it important that we not delay further implementation of the FY 1959 MAP and that approval be given for some \$31.6m of the remaining 33.4 Department of Defense proposals. In so recommending we are proposing consideration of the program in the following terms:

(a) Approval of all items in the proposed FY 1959 MAP, other than the M47 tanks and the army ammunition storage igloos, approximately: \$27.3m.

As will be noted in Tab B, \$18.1m of this amount is for Jhellum 1st Corps Cantonment construction of barracks for 10,000 troops. This is a part of the basic five-year construction program discussed with the Pakistan Army for the building of barracks for 25,000 troops. The remaining construction items are further increments of already initiated projects of moderate dimensions. Additionally, the above includes training aids (and ammunition for training), minor amounts of modern electronic communications equipment, seven F-86F and two T-33A aircraft as attrition replacement, and tank transporters.

⁶ Not attached, but reference is to telegram 1490 from Karachi, December 23, 1958. (Department of State, Central Files, 890D.00/12-2358)

(b) Approval of provision of 72 M47 tanks and related equipment: \$4.3m.

While it might well be concluded that the provision of these tanks represents a modernization of the forces beyond the 1954 commitment, on the other hand, it should be noted that these are essentially replacement items with the effectiveness of the present units deteriorating rapidly and with maintenance costs rising. The Pakistanis have long considered their present tanks as being a deficiency in the armored units we undertook to support. We have already delivered 72 M47 tanks under the FY 1957 Program, and we have assurance from the Embassy and the MAAG that they believe it feasible to insist that the units which the proposed tanks would replace will be scrapped. While adding to armored unit fire-power and effectiveness, the proposed units will replace existing items and will not impose any additional economic burden. Politically we consider it desirable to permit delivery of these units which the present government is aware have been under consideration for some time.

(c) Deferral of construction of 25 ammunition storage igloos: \$1.8m.

These were initially pulled forward from the original FY 1960 Program and involve the problem of the extent of ammunition war reserves to be maintained. This item, we believe, should be deferred.

It should be noted that none of the above analysis includes the question of naval units to be supplied within or outside the 1954 commitment and, additionally, does not touch upon other major elements to which the Working Group is giving consideration such as Air Force modernization or the extent of purchases of military items by the GOP and our reaction to this problem. We are recommending moving forward with most of the FY 1959 MAP program on the basis that such action is clearly justified by the current situation and the conclusions to date of the interagency analysis.

Recommendations

It is recommend that you approve:

(a) the implementation of the remainder of the DOD proposed FY 1959 MAP other than the M47 tanks and ammunition storage igloos at a level of approximately \$27.32 million.

(b) the implementation of the proposal for the provision of 72 M47 tanks from FY 1959 MAP valued at \$4.3 million.⁷

⁷ Although Dillon did not initial his approval on the source text, a memorandum of April 14 from Bartlett to Rountree indicates that he did approve these recommendations. (*Ibid.*, 790D.5-MSP/4-1459) The Embassy was informed of this decision in telegram 1588 to Karachi, *infra*.

340. Telegram From the Department of State to the Embassy in Pakistan¹

Washington, January 9, 1959—2:55 p.m.

1588. Paris pass CINCEUR for MAD. Embtels 1404² and 1584.³ FYI. Since original 1954 commitment was substantially completed FY 1959 Pakistan MAP had to be considered in relation to larger political, military and economic problem of post 1954 commitment MAP for Pakistan. However, interagency working group having now reached preliminary conclusions, approval has been given for all but very small portion of balance FY 1959 MAP. Approval portion includes construction (principally Jhellum cantonment), attrition aircraft, 72 M-47 tanks, tank transporters, electronics and communications equipment, vehicles, training aids and ammunition and consumables.

MAAG Chief will receive separately from Defense further details on approved program following Bureau Budget apportionment funds. End FYI.

Since FY 1959 MAP has been discussed at highest levels in Karachi you will undoubtedly wish inform President Ayub personally of this approval in general terms but including specific mention 72 M-47's stating that these tanks approved on express condition that corresponding number of obsolete tanks will be retired by Pakistan Army (Embtel 680).⁴

Regarding specific GOP requests originally reported Embtel 1323⁵ for higher performance aircraft and improved radar you should reply re aircraft along lines already used by Chief MAAG (MAAGPAK 9-225)⁶ that U.S. believes it is not feasible from technical and financial viewpoints to consider question modernization of existing PAF fighters until B-57 squadron programmed for FY 1959 and 1960 has been effectively absorbed by PAF. On radar, inform GOP that already ap-

¹ Source: Department of State, Central Files, 790D.5-MSP/1-759. Secret; Priority. Drafted by Roswell D. McClelland, Officer in Charge of Politico-Military Affairs, Office of Near Eastern and South Asian Regional Affairs, and William F. Spengler of SOA. Repeated to Paris.

² See footnote 2, Document 338.

³ In telegram 1584, January 7, Ambassador Langley stated that the unresolved military assistance program for Pakistan for fiscal year 1959 was "creating increasingly embarrassing situation." He added that the silence of the Department on that subject, "except to deny delay in approval 1959 program is political, inexplicable to Embassy no less than to Pakistanis." Langley pointed out that what he found most disturbing about this matter was the possible effect of the delay on Ayub, "who increasingly shows signs of justifiable impatience." (Department of State, Central Files, 790D.5-MSP/1-759)

⁴ In telegram 680, September 24, 1958, the Embassy reported that Pakistan had been withdrawing obsolete military equipment as soon as it received new equipment from the United States. (*Ibid.*, 790D.5-MSP/9-2458)

⁵ Dated November 28, 1958. (*Ibid.*, 790D.5400/11-2858)

⁶ Not found.

proved MAPs for Pakistan through FY 1958 contain four heavy radar equipments (two search and two heightfinder) sufficient for two installations. Chief MAAG has technical information on these units and forecast as to their availability.⁷

Dulles

⁷ On January 10, Langley met with Ayub and informed him of the U.S. approval of the fiscal year 1959 Military Assistance Program for Pakistan, covering the details outlined in telegram 1588. (Telegram 1621 from Karachi, January 11; Department of State, Central Files, 790D.5-MSP/1-1159)

341. Telegram From the Embassy in Pakistan to the Department of State¹

Karachi, January 14, 1959—noon.

1644. Re Department telegrams 1607, 1608; Embassy telegram 1638.² Further to Embtel 1638 Knight had two-hour session with Foreign Minister Qadir and Arshad Husain. It soon became apparent this was first occasion on which Foreign Minister, used by President Ayub on many matters outside competence, concentrated not only on bilateral but also on Baghdad Pact and this to obvious embarrassment of Husain obliged to brief his Minister in presence of outsider.

DCM gave Foreign Minister text US redraft as well as informal text of presentation made to Husain earlier and now reduced to writing as informal "talking paper". Husain gave Foreign Minister in parallel form texts of joint counter-draft, and US draft.³

After quickly going over these various papers Qadir pushed them aside and raised series of fundamental questions:

¹ Source: Department of State, Central Files, 790D.5/1-1459. Secret; Priority; Limited Distribution. Repeated to Ankara, Tehran, and London.

² In telegram 1607, January 10, also sent to Ankara and Tehran, the Department transmitted the proposed text for the new bilateral agreements which were being negotiated pursuant to the London Declaration of July 1958 and requested that it be communicated immediately to the Foreign Minister. (*Ibid.*, 780.5/1-1059)

In telegram 1608, January 10, also sent to Ankara and Tehran, the Department offered guidance for the negotiation of the bilateral agreements. (*Ibid.*, 780.5/1-1059)

In telegram 1638, January 14, the Embassy reported that due to a delay in transmission it had just received telegrams 1607 and 1608. In the Ambassador's absence, the Deputy Chief of Mission Knight had a preliminary conversation with Joint Secretary Arshad Husain and had an appointment with the Foreign Minister later that day. (*Ibid.*, 780.5/1-1359)

³ None found.

Precisely what was Baghdad Pact about?

What concrete advantage is bilateral supposed to procure either for US or Pakistan?

What was genesis of collective security concept which incidentally Foreign Minister supported in convincing manner as well as words.

There ensued lengthy tour d'horizon marked by review by DCM of development collective security idea and realization following World War II, by account by Arshad Husain of July 1958 BP meeting in London and of development of related declaration. There was also lengthy and somewhat exaggerated account by Husain of extent of commitments now in existence between full members of Pact. Latter account stemmed from Foreign Minister's immediate concurrence with US premise it would not be expected to do more than what already agreed between full members in area.

The Foreign Minister's preliminary reactions can be summarized as follows:

1. GOP had been wrong in asking in form of executive agreement for what manifestly exceeded provisions of underlying joint resolution.

2. He, however, saw no point in executing a new bilateral agreement which gave nothing concretely new either to USG or to GOP. His reluctance to go through with what he views as essentially a psychological operation is based on internal Pakistani political considerations. While Foreign Minister convincingly outspoken in his determination to see that Pakistan remains faithful to its treaty commitments he expressed much concern over public opinion which he views as deeply opposed to Pakistan "satelliteship" of US, while an uncommitted India receives comparable favors from US. Thus while Qadir would welcome a new bilateral agreement with US which he could defend publicly as procuring some new advantage to Pakistan and while he recognizes that reaffirmations can have value, he fears conclusion of US draft of bilateral would play into the hands of elements opposed to present Pakistan foreign policy. Foreign Minister fears effectiveness of charge Pakistan had turned its back on its "Moslem brothers" and foregone leadership of Moslem world without commensurate security guarantees from US.

Qadir frankly stated India and not Soviet Union is the enemy in eyes of average Pakistani. Knight made obvious comments in rebuttal of above points. Qadir in general expressed agreement but pointed out much thereof not readily saleable to the public.

3. Foreign Minister, however, recognized that Turkey and specially Iran may have different viewpoints and since all are joined in a collective venture he would as a good ally be guided in part by their views and worries.

4. Finally Foreign Minister while apologizing "as a neophyte in foreign affairs" for being critical of the current negotiation of an agreement "giving nothing new to either contracting party" recognized that non-completion thereof at this stage could easily be interpreted as victory for Soviet intimidation with obvious harmful consequences.

Concluding conversation, and after interdiction by [*interruption*] Arshad Husain that Turkey had already proposed immediate joint negotiations in Ankara, Foreign Minister Qadir said he would call in on January 14 Turkish and Iranian Ambassadors and soon thereafter give us more considered reactions and comments.

Comment: Knight was struck by frankness, originality and sincerity of Foreign Minister's approach and reasoning. Latter is having difficulty in reconciling his professional lawyer's desire for foolproof agreements with the more "flexible" drafting of diplomacy and said so several times.⁴

Langley

⁴ In telegram 1677 from Karachi, January 16, the Embassy reported that Knight met again with Qadir that day to discuss the proposed bilateral agreement. "Qadir went on to say," the telegram noted, "that were Pakistan alone in negotiating a bilateral with the US, he would without any hesitation refuse to sign proposed US redraft since text would give nothing new to Pakistan and because of internal policy reasons outlined in Embtel 1644. Pakistan, however, not alone and he was swayed by two major considerations: (A) Iran's special anxiety for treaty link with US (Pakistan has SEATO and Turkey has NATO); (B) regardless of right and wrong in handling of bilateral to date, Foreign Minister realizes non-signature now would give world impression of disunity among powers associated with BP and give psychological victory of sorts to USSR." (Department of State, Central Files, 790D.5/1-1659) Telegram 1668 from Karachi, January 17, transmitted the Pakistani draft to the Department. (*Ibid.*, 790D.5/1-1759)

Negotiations concerning the proposed bilateral agreement continued throughout January, February, and March 1959. The agreement was signed on March 5; see Document 346.

342. Telegram From the Embassy in Pakistan to the Department of State¹*Karachi, January 17, 1959—2 p.m.*

1681. For Secretary Henderson from Ambassador. Reference your 1691.² Our major problem with Pakistan perhaps irrational but nevertheless powerful—and still growing—feeling of government and public that there is little advantage in being firmly committed as ally USA since USA concentrates its favors on uncommitted nations such as India and Egypt. I well understand that our higher interest and global responsibilities should lead us take into major account as well as to aid extensively these important countries which we wish deny to USSR and world Communism and, if possible, win over to our side. I have realized this so well that I have, if anything, underplayed groundswell of anti-Americanism which was inevitable from day we initiated substantial assistance to the feared and hated Hindu. I can only assume that this Pakistani fixation on India rather than on USSR was thoroughly taken into account when present policy of military aid to Pakistan was instituted in 1954. On this assumption, I can only assume further that we wish preserve a meaningful Pakistan alliance as well as conciliate India. We will not be able to do so if we appear grant more definite and explicit assurances of assistance to India in case of Pakistani aggression than we are willing to give Pakistan in case of Indian aggression. If we examine record, such guarantees to India outweigh those to Pakistan beginning with those of President, equivalent of which has never been given GOP. Up to last winter, we could argue that India had received essentially verbal assurances, while Pakistan had received tanks, planes and major-scale economic aid. Present massive assistance to India knocks props from under that argument, particularly as it frees economic resources for diversion to military purposes.

Please see my telegram 1678³ of today's date on related subject. My purpose in availing myself your thoughtful request for suggestions

¹ Source: Department of State, Central Files, 690D.91/1-1759. Secret; Priority. Repeated to New Delhi.

² In telegram 1691, January 16, Deputy Under Secretary Henderson requested Ambassador Langley's advice and suggestions regarding his upcoming visit to Pakistan. Henderson was scheduled to arrive in Karachi on January 23 for the Sixth Session of the Baghdad Pact Ministerial Council. (*Ibid.*, 110.13-HE/1-1659)

³ In telegram 1678, January 17, Langley commented as follows: "I believe US should establish position which would be uniform whenever it becomes necessary to make statement either publicly or officially to Pakistanis or Indians in Washington, New Delhi or Karachi. I believe such policy statement should indicate identical position by US towards aggression against either India or Pakistan by other." He was responding to remarks which Ambassador Bunker made at Calcutta on January 13, regarding the U.S. position in the event of Pakistani aggression against India. (*Ibid.*, 790D.5/1-1759)

is to stress importance of convincing present GOP that we are not subordinating alliance with Pakistan to our courtship of India. Furthermore, I feel attitude toward India of President Ayub but more particularly of Foreign Minister Qadir and Finance Minister Shoaib offers more hope of arriving at sensible Indo-Pakistan modus vivendi than anything else I have observed since my arrival Pakistan.

Langley

343. Memorandum for the Record of a Meeting, Karachi, January 26, 1959¹

SUBJECT

Meeting with President Ayub

1. Present were:

Pakistan:

President Mohammad Ayub Khan
Foreign Minister Manzur Qadir
Minister for Finance M. Shoaib
Secretary General Aziz Ahmed

United States

Deputy Under Secretary of State Loy W. Henderson
Ambassador to Pakistan James M. Langley
Assistant Secretary of Defense John N. Irwin, II
General Lyman Lemnitzer

2. After an exchange of amenities and expression of appreciation for the large amount of aid the Pakistanis had received from the United States, the President asked if he might speak substantially [*substantively?*] In a pleasant and frank way he raised the following points. Mr. Henderson presented U.S. policy on each point and General Lemnitzer and I commented as appropriate along lines set forth below.

¹ Source: Department of State, Central Files, 611.90D/1-2959. Secret. Drafted on January 28 by Irwin and transmitted to the Department of State as an enclosure to despatch 679, January 29. Henderson, Irwin, and Lemnitzer were in Karachi for the Sixth Session of the Baghdad Pact Ministerial Council, January 26-28. Henderson was Chairman of the U.S. Observer Delegation.

(1) He asked what force structure the United States was prepared to support in Pakistan. General Lemnitzer explained that the U.S. strategic force goals were five and one-half divisions and that this was the structure we were supporting by our Mutual Assistance Program. He distinguished these goals from the planning goals established by the Baghdad Pact. General Lemnitzer also explained how force goals might change from time to time depending on military circumstances and on the development of new weapons and techniques. I commented that for the foreseeable future the Pakistanis should not expect Military Assistance support for forces over and above the five and one-half divisions that now constituted the U.S. strategic force goals for Pakistan. General Ayub said it was very helpful to have this definite information.

(2) He spoke of a real need for modernizing the equipment of the five and one-half divisions, pointing out that they were now armed in a large part with obsolescent British weapons. I said that we had that situation very much in mind and that in future aid programs we would be willing to replace the British arms and improve modern equipment in accordance with Pakistan's needs and our availability of funds; and that while we were dependent on Congressional authorization of funds, we hoped to continue future aid programs in the approximate amount of the program for 1959 and 1960. (In a later conversation with Ambassador Langley I said this might run somewhere between fifty and sixty-five million dollars.) General Lemnitzer commented that in modernizing Pakistan forces first things should come first; and that he believed that Pakistan must modernize its communications equipment even if that meant delaying delivery of certain new weapons.

(3) General Ayub said that Pakistan would like to convert their present facilities for manufacturing 303 rifles to the production of new U.S. M14 rifles. General Lemnitzer commented that this was a very expensive business and that since Pakistan has sufficient small arms and ammunition for its present needs, Pakistan should consider its priority needs before spending funds on new small arms. General Ayub said he recognized the wisdom of General Lemnitzer's comment but that they had ample small arms of the present type, therefore, they wished now to convert the factory to manufacture a better small arm rather than continue the manufacture of obsolescent small arms. He said Pakistan had considered the British rifle and the M14 and had decided to convert the factory to the manufacture of M14 rifles if they could make proper arrangements with the United States. He asked as to the possibility of obtaining blueprints and proprietary rights.

(4) General Ayub stressed the value of Pakistan's armed forces not only as a force to protect Pakistan but as a force in being available to go elsewhere if needed. He said it would be much less expensive

and more useful for the United States to use Pakistan forces in this part of the world than to have to send U.S. forces. Therefore, it would be less expensive to the U.S. if the U.S. modernized Pakistan forces and equipped additional sufficient units that could be spared from the defense of Pakistan. This led back to a further discussion of modernization. I pointed out as an example that in our 1959 Program we were providing M47 tanks to replace M4 tanks stressing the necessity of avoiding an increase in operating and maintenance costs as a result of the modernization program. I said therefore it had been necessary for the United States to ask that Pakistan not transfer weapons being replaced, in this case M4 tanks, to other Pakistan units. General Ayub said he realized this and that Pakistan would not do so. He said, however, that Pakistan disliked to junk such weapons and that they preferred to put them in storage. I did not pursue this point, but I am suggesting to General Walter² that he insure that the Pakistanis do not increase costs by the way they junk, store, or retire old weapons.

(5) General Ayub said that it was essential to solve Pakistan's outstanding disputes with India. He asked Mr. Shoaib to talk about the canal waters dispute and Mr. Qadir to talk about the Kashmir dispute. He commented that it was clear from India's foreign policy that one of India's aims was to get the United States out of Asia. He then referred to a per capita comparison of United States aid to India and Pakistan that Mr. Henderson had made in the Council meeting earlier in the day, stating that such comparisons were fallacious in the view of Pakistan.

(6) Mr. Shoaib gave a brief review of the canal waters problem, stating Pakistan was willing to agree to an allocation of the three western rivers to Pakistan and three rivers in the east to India, but that India must pay for canalizing the three western rivers in Pakistan. He said India agreed in principle but wanted to do it in the cheapest way, whereas Pakistan wished to do it in the most efficient way. He said that Pakistan thought the United States could and should help them on this problem with respect to India. He pointed to the large amount of aid the United States was giving India and suggested that the United States should insist that a portion of U.S. loans to India be used to finance the difference between the amount the Indians were willing to put up and the amount needed to canalize the three rivers in the way Pakistan thought to be most effective for its economic development.

(7) Foreign Minister Qadir gave a review of the Kashmir problem, stating that it was essential that this be solved, that Pakistan was willing to submit the problem to any form of international decision or

² General Mercer C. Walter, USA, Chief of the Military Assistance Advisory Group (MAAG) in Pakistan.

plebiscite. He said that they did not intend to raise this issue until after the canal waters dispute had been settled, unless settlement dragged on for too long a period. He said that pressure by the United States and Great Britain was needed in order to get a plebiscite or some form of arbitration. He said there had been some signs of weakening in India on their position for a plebiscite until it was found they could get large amounts of aid from the United States irrespective of their position on Kashmir.

(8) There was a general discussion of Iraq and Kassim's³ position. It was generally agreed that the most desirable solution was for the Iraqi nationalists (presumably lead by Kassim) to be victorious in maintaining an Iraq independent of both the UAR and the Soviet Union; that if such were not possible, it was preferable for the pro-Nasser faction to win out over the Communist group.

³ Brigadier Abdul Kassim, Prime Minister of Iraq and Commander in Chief of Iraq's Armed Forces.

344. Despatch From the Embassy in Pakistan to the Department of State¹

No. 762

Karachi, February 26, 1959.

REF

Department's Circular Telegram 832, January 7, 1959²

SUBJECT

Visit of Mr. George C. McGhee and Admiral Arthur W. Radford, Members of a Sub-Committee to Study the Mutual Security Program in Pakistan

On February 11, 1959, Mr. George C. McGhee and Admiral Arthur W. Radford, coming from Tehran, arrived in Karachi for a scheduled three-day visit to consult with American officials and Pakistani leaders on various aspects of the Mutual Security Program relating to Pakistan. They left on February 14 en route to the United States. Mr. McGhee and Admiral Radford, members of a subcommittee of the Draper Committee, were accompanied by Mr. Kenneth R. Iverson and Colonel Charles E. Tenneson, Jr., U.S. Army, staff advisers. The visi-

¹ Source: Department of State, Central Files, 700.5-MSP/2-2659. Secret.

² Circular telegram 832, sent to 32 diplomatic posts, explained the President's appointment of the Draper Committee and instructed the chiefs of mission to give the committee full cooperation. (*Ibid.*, 700.5-MSP/1-759)

tors dined with the President of Pakistan, General M. Ayub Khan, and lunched with the Minister of Finance, Mr. M. Shoaib. Calls were made on the Foreign Minister, Mr. Manzur Qadir, and the Minister of Rehabilitation, Lt. General M. Azam. Conferences were held with the Country Team and its various members as well as with senior officials of the Government of Pakistan.

Summary of Conference with Ministry of Finance. February 12, 1959.

Mr. Shoaib chaired the meeting on the Pakistani side. In his opening statement he stressed the "massive efforts" Pakistan had made toward development, but said that despite these efforts, the country was still in desperate shape. Although there had been considerable growth as a result of the Korean boom, in recent years economic development was merely keeping pace with population growth. Large amounts of aid and loans received from abroad enabled Pakistan to maintain this parity. The basic difficulty, Mr. Shoaib said, was the deterioration in Pakistan's terms of trade with a slight rise in import prices and sharp fall in export prices. Since jute and cotton, Pakistan's cash crops, were subject to world market fluctuations, the situation was beyond Pakistan's control.

Mr. Shoaib noted that new development plans, particularly the second five-year plan, would shift emphasis from industry to agriculture. He thought it was possible for Pakistan to grow, but the rate of growth would depend on receiving even larger amounts of foreign assistance than at present. Such assistance, he felt, should take the form of raw materials for Pakistan's industry and aid for development. He said that he must look largely to the United States for the increased aid. The Colombo Plan could help, but its resources were limited. The IBRD could also help, but only in marginal cases after Pakistan had made a maximum contribution from its sources and its friends helped to the best of their abilities. Mr. Shoaib said that the new administration would do everything possible to cut civil governmental costs, but the seemingly inevitable trend of these costs was up. He promised to encourage private foreign investment in heavy industry where Pakistani "know-how" was lacking. The Pakistanis, however, with available skills could provide all the light industry needed if foreign exchange were made available. At present the only substantial foreign investment is in oil exploration. He praised the planning concept and said it was essential where time was limited. He added that the volume of trade with the Iron Curtain countries was small and that Pakistan was not going to encourage it. If, however, Pakistan could not sell its goods elsewhere, it would be forced to do business with the Red Bloc. He held out no hope for an increase in Pakistani trade with India, although he agreed that both countries could benefit thereby. In his view, the Indians were responsible for setting up trade blocks.

Summary of Conference with Ministry of Defense. February 12, 1959.

Mr. M. Khurshid, Secretary, Ministry of Defense, chaired the meeting on the Pakistani side. Senior officers of Pakistan's Armed Forces were also present. They included Air Marshal Asghar Khan, C-in-C, Pakistan Air Force; Major General Sher Bahadur, Chief of Joint Secretariat; Major General A. M. Yahya, Chief of General Staff; and Air Commodore A. R. Khan, C-in-C, Pakistan Navy, designate. In his opening statement, Mr. Khurshid said that Pakistan wants and needs a balanced force of 6 US-supported divisions containing only American equipment. He pointed out that the existing 5½ US-supported divisions with a mixture of US and UK equipment present difficult logistic problems for the Pakistan Army. In referring to the 40,000 troops formerly supported directly by the US, Mr. Khurshid said that this number was inadequate and that Pakistan needs 16,000 additional troops to be similarly supported by the U.S. Turning to Wah Ordnance, Mr. Khurshid said that its productive capacity should be fully utilized and suggested that the United States use this plant to manufacture arms and ammunition for Pakistan and other allies. Mr. Khurshid also made a strong plea for modern anti-aircraft weapons, saying that their present AA guns were ineffective and obsolete. He asked for new motor trucks to replace the "old junk" of World War II vintage. With respect to the Pakistan Air Force, Mr. Khurshid said that Baghdad Pact military planning studies indicated Pakistani requirements for 395 jet airplanes. Although the Pakistanis would like to modernize all their F-86 sabre jets, they would be satisfied for the present with a modest program calling for 35 high performance fighters to replace an equal number of sabres, the remaining F-86's to be equipped with air-to-air missiles. The foregoing, Mr. Khurshid explained, was the minimum necessary to meet Pakistan's national and international obligations. He said that so far as the Pakistan Navy is concerned, nothing is needed at the present time.

In response to a series of questions from the American side, Mr. Khurshid and his military advisers said: Pakistan wishes it could devote more of its resources to economic development and less to defense; however, Pakistan's defense requirements must take into account the security and geography of the nation and its obligations to its allies. Although Baghdad Pact military planning studies indicate a requirement of 395 airplanes and 8 Army divisions, the Pakistanis recognize that there is no U.S. commitment to underwrite the costs involved. Nevertheless, Pakistan attaches the highest importance to the modernization of its air force. The sabre jet is out of date and, except for Iran, all countries bordering on Pakistan have better aircraft. The additional 16,000 troops Pakistan needs would add about 60 million rupees annually to their budget. The Armed Forces contribute

to the economic development of the country in many ways: veterans provide a source of trained and skilled manpower; the services run British-type public schools for boys who do not have to enter the Services; the Army maintains its own cattle farm to supply food; the Armed Forces also assist in flood control, food control and anti-smuggling operations. Foreign exchange expenditures for the Armed Forces will go up in the future. However, a Committee has been appointed to recommend military economies. The Government's military procurement policy is to buy locally whatever is available, regardless of quality.

Summary of Conferences with the Country Team. February 12, 13 and 14, 1959.

The position of the Country Team in its discussions with the Draper Sub-Committee was based on a series of prepared papers which were presented to Mr. McGhee, Admiral Radford and their Staff. Five copies of the Country Team's presentation, dated February 11, 1959, are enclosed for the Department's information.³

For the Ambassador:
Ridgway B. Knight
Minister
Deputy Chief of Mission

³ The Country Team presentation is not printed; it is summarized in Document 353.

345. Editorial Note

Between February 24 and March 13, Finance Minister Mohammed Shoaib was in Washington for a series of discussions with U.S. officials on Pakistan's financial problems. Shoaib met with Herter, Henderson, Dillon, Rountree, Kennedy, and Bell at the Department of State. He also met with Leonard J. Saccio, Deputy Director of the ICA; Leland Barrows, Regional Director, Office of Near East and South Asia Operations, ICA; Dempster McIntosh, Managing Director of the Development Loan Fund; and officials of the Department of Defense, the IBRD, and the IMF. The Department briefly summarized the Shoaib visit in telegram 2253 to Karachi, March 18, which reads in part as follows:

“In Department general theme of his presentation was centered around three foreign exchange gaps: 1) abnormal carryover of export commitments from previous regime amounting to 50 crores; 2) foreign exchange requirements for greater utilization for industrial capacity amounting to 40 crores for next two years and tapering off thereafter; 3) uncovered portion of 15 month development program amounting to 59 crores. Copies of supporting documents air pouched.

“All Washington officials listened sympathetically to Shoaib’s presentation but were unable give him any definite assurances at this time since DLF exhausted and no slack remains in Mutual Security funds. Department indicated however it would sympathetically consider financing high tension grid and PICIC from DLF supplemental appropriation, if any.” (Department of State, Central Files, 033.90D11/3–1859)

Memoranda of many of these conversations are *ibid.*, 033.90D11, 790D.13, 790D.5622, 890D.10, and 890D.131. Briefing papers for the Shoaib visit are *ibid.*, 033.90D11 and 790D.13. A memorandum of Shoaib’s conversation with Herter on February 24, which concerned Pakistan’s relations with India, is printed as Document 62.

346. Editorial Note

On March 5, at Ankara, the United States signed bilateral Agreements of Cooperation with the Governments of Turkey, Iran, and Pakistan. These agreements had been developed pursuant to the declaration signed on July 28, 1958, by the governments participating in the Baghdad Pact Ministerial Council session at London. The text of the agreement with Pakistan is printed in 10 UST 317. The Department of State issued a press release on March 5 which explained the background of these bilateral agreements; for text, see Department of State *Bulletin*, March 23, 1959, pages 416–417. Regarding the Indian reaction to the new agreement with Pakistan, see Documents 63 ff. Documentation on the negotiation of the agreement with Pakistan is in Department of State, Central File 790D.5.

**347. Memorandum of a Conversation, Department of State,
Washington, March 12, 1959¹**

SUBJECT

Discussion of Possible Aid Assistance to Pakistan

PARTICIPANTS

Mr. Mohamed Shoaib, Finance Minister of Pakistan
Mr. Zahiruddin Ahmed, Economic and Financial Counselor, Government of
Pakistan
Mr. Donald D. Kennedy, NEA
Mr. Clarence Gulick, O/NESA-ICA
Mr. William Turnage, OFD
Mr. Frederic P. Bartlett, SOA
Mr. Henry W. Spielman, SOA

Mr. Kennedy expressed appreciation on behalf of the United States Government for the efforts made by the new administration in Pakistan toward coping with the economic problems facing that country. He was sure that because of Mr. Shoaib's explanations, Washington officials are now much better informed about Pakistan's economic as well as foreign exchange problems.

Mr. Kennedy then pointed out that unfortunately the United States had, at this time, no available funds. The Mutual Security legislation would not be passed by Congress before July and perhaps not until fall, and the House action on the supplemental appropriation requested for DLF was discouraging, he pointed out. Mr. Kennedy was hopeful, however, that the final figure provided by the supplemental appropriation for DLF would be somewhat larger than the \$100 million presently indicated by the House subcommittee, but, of course, no one could predict what would happen until after both Houses of Congress had acted. Mr. Kennedy added that speculation as to the probable size of the FY 1960 Mutual Security appropriation could only lead to trouble. However, Mr. Kennedy assured Mr. Shoaib that the Department was giving serious thought to the problems of Pakistan.

Mr. Shoaib said that he appreciated the legislative problem facing the United States, but was hopeful that some slack funds would be available to help Pakistan at this time. He mentioned that Pakistan's deficits were in three categories: (1) previous commitments amounting to 50 crores; (2) priming industry, 50 crores; and (3) the development program, 59 crores of rupees.

¹ Source: Department of State, Central Files, 790D.5-MSP/3-1259. Drafted by Spielman on March 17. Bartlett briefed Kennedy for this meeting with Shoaib in a memorandum of March 12. (*Ibid.*, 890D.131/3-1259)

Mr. Shoaib said the previous commitments represented raw materials, consumer goods, spare parts and miscellaneous items, some of which are already on the high seas. He promised to furnish the Department a list, by broad categories and country of commitment, of these items. Mr. Turnage suggested that perhaps Pakistan might look to the supplier countries to help finance these commitments. Mr. Shoaib replied that his government is undertaking discussions with the United Kingdom, Germany and Japan regarding means of meeting this problem. Part of Pakistan's recently concluded UK loan of 10 million pounds sterling and perhaps some of the first tranche from the IMF would be used for this purpose, he said. One of the difficulties concerned Japan, whose supplier credit was of short-term duration and, therefore, would fall due at a critical period in Pakistan's balance of payments situation.

Mr. Kennedy said that the priming of industries appeared to involve commodity support which would fall within the area of our Defense Support assistance. During FY 1959, the United States was providing \$80 million, primarily for import commodities. Mr. Shoaib said he was aware of the size of this figure and that by arrangements with USOM, Karachi, \$5 million had been diverted to refugee rehabilitation. His government has set a terminal date on refugee assistance and hopes that all claims will be settled by March 31, 1960. Mr. Shoaib stated that refugee rehabilitation is a priority project in that many of the refugees around Karachi were educated people from cities in India and who were accustomed to higher standards of living than they now enjoy. Mr. Kennedy assured Mr. Shoaib of our interest in the settlement of this problem and hoped that it would be accomplished by that date.

Mr. Shoaib mentioned that the Development Commission has recommended a minimum development program of 255 crores. The Finance Minister believed that this figure might be reduced, but he needed justification before approaching the Commission. For this reason, he wished to obtain a figure from the United States as to the amount of aid which might be available. Aside from the fact that no funds are now available, Mr. Turnage pointed out that it was difficult to determine from the data now available in Washington how the development figure mentioned by Mr. Shoaib was obtained. Apparently, funds were available to the Government of Pakistan which had not been mentioned in this presentation. Mr. Shoaib said that the remaining \$6 million of the Richards' commitment for fertilizer factories was not included, as well as the recently signed DLF commitments.

Mr. Shoaib said that he was attempting to maintain the Defense budget at present levels and to reduce expenses of other Departments of the Government of Pakistan.

When Mr. Shoaib called upon the World Bank officials, he received the encouraging news that the Bank was prepared to supply an additional \$8 million credit equally divided between Karachi Electric Supply Company and PICIC and would consider an additional loan for the railways.

Mr. Kennedy inquired as to which projects the Government of Pakistan wished considered by DLF when supplementary funds became available. Mr. Shoaib replied, without hesitation, the Ganges-Kobadak, secondary transmission lines and PICIC. The other high priority projects could await the regular appropriation, he said.

Mr. Bartlett said that looking at the longer-range picture, it became apparent that Pakistan would need to develop new markets for its export commodities. Mr. Shoaib replied that he had discussed this possibility with Ludlow (large jute merchants) in New York, who is working on new uses for jute. In addition, the Government of Pakistan was planning to attempt an expansion of fish, fruits and tea exports.

Mr. Turnage asked if Pakistan would need PL 480 assistance this year. Mr. Shoaib said that both the wheat and rice crops were expected to be good and, therefore, no decision could be made until later in the year. Mr. Shoaib asked if it would be possible to arrange triangular trade. Mr. Turnage replied that such operations had been of very limited success and required much greater effort than the results justified.

Mr. Kennedy inquired whether Pakistan is organizing new agencies to meet the agricultural problem. Mr. Shoaib said that a land management group had been set up for developing the new lands in the recently completed irrigation areas. An agricultural credit organization was being established to provide supplier credit to small farmers. It might be possible, he said, that his government would ask the United States for local currency releases for this purpose.

348. Telegram From the Department of State to the Embassy in Pakistan¹

Washington, April 7, 1959—9:22 p.m.

2376. You may deliver to Foreign Minister Qadir following note in response his request for statement on US policy on aggression against Pakistan by any country. Note follows closely as possible Qadir's own draft of which he handed copy to Under Secretary Henderson.² Department welcomes Qadir's assurance GOP will not make this note public (Karachi's 2171).³ Department authorizes delivery only on understanding will not be released by GOP even though we do not consider note as classified document.

Begin Text: The Ambassador of the United States of America presents his compliments to His Excellency the Minister of Foreign Affairs of Pakistan and has the honor to refer to two statements of policy, one released by the Government of Pakistan, the other by the Government of the United States, which were the subject of earlier mention by His Excellency the Minister of Foreign Affairs to the Ambassador.

The first of these statements was that issued in November 1957 in Washington by Mr. Firoz Khan Noon, Minister of Foreign Affairs and Commonwealth Relations of the Government of Pakistan following a conversation between Mr. Noon and the Secretary of State of the United States of America, as follows:⁴

"I had a full and satisfactory discussion with Secretary of State Dulles with respect to various matters of mutual concern. Among other things I raised with Secretary Dulles the question of assistance which Pakistan could expect from the United States in the event it was the subject of armed aggression. Secretary Dulles referred to the relations of the United States to Pakistan under the Southeast Asia Mutual Defense Treaty, the Joint Resolution on the Middle East and the association of the United States pursuant thereto with the Middle East Baghdad Pact countries, and the obligations of members of the United Nations. He left me in no doubt but that the United States would

¹ Source: Department of State, Central Files, 611.00/3-2459. Confidential. Drafted in SOA by Robert W. Adams on April 2; cleared by Rountree in NEA, Loftus Becker in L, and Loy Henderson in IO; and approved by Under Secretary Murphy. Also sent to Tehran, Ankara, and London and repeated to New Delhi and Kabul.

² Qadir handed Henderson this note during a meeting at his office in Karachi on January 28. (Telegram 2155 from Ankara, January 29; *ibid.*, 780.5/1-2959)

³ In telegram 2171, March 24, Langley reported that Qadir called on him that day to inquire as to the status of the proposed statement by the United States on U.S. policy regarding aggression by any country. (*Ibid.*, 611.00/3-2459)

⁴ See *Foreign Relations, 1955–1957*, vol. VIII, p. 159, footnote 3.

promptly and effectively come to the assistance of Pakistan if it were subjected to armed aggression which, however, the United States did not anticipate."

The second of the statements under reference was part of a longer public statement on the subject of the Baghdad Pact issued on November 29, 1956 by the Department of State of the United States of America, which announced, *inter alia*, that:⁵

"The United States reaffirms its support for the collective efforts of these (the Baghdad Pact) nations to maintain their independence. A threat to the territorial integrity or political independence of the members would be viewed by the United States with the utmost gravity."

The Ambassador has been instructed by his Government to inform His Excellency the Minister of Foreign Affairs that the position of the United States remains unchanged from that set forth in the two statements quoted above. *End Text.*⁶

Herter

⁵ For text of this statement, see Department of State *Bulletin*, December 10, 1956, p. 918.

⁶ On April 15, this note was delivered to Ayub. In a covering letter, Langley stated that it was the understanding of the U.S. Government that Pakistan would not make the contents of the note public. Ayub accepted the note with thanks but made no other comment. (Telegram 2328 from Karachi, April 16; Department of State, Central Files, 611.90D/4-1659)

349. Telegram From the Embassy in India to the Department of State¹

New Delhi, April 17, 1959—7 p.m.

2428. Rountree from Ambassador. Reference: Department telegram 2477,² repeated Karachi 2445. I am convinced that supply of "Sidewinders" to Pakistan Air Force would be received with consternation in India and would be regarded as definitely unfriendly act. It would come as culmination of series of events which have caused deep misgiving here, i.e., signing of bilaterals, announcement of com-

¹ Source: Department of State, Central Files, 790D.5612/4-1759. Secret; Priority; Limit Distribution. Repeated to Karachi.

² In telegram 2477, April 15, Rountree requested Bunker's estimate of the probable Indian reaction if the United States decided to supply "Sidewinder" missiles to the Pakistani Air Force. (*Ibid.*, 790D.5-MSP/4-1559)

ing delivery of jet bombers to Pakistan Air Force, alleged firing upon UN observer team in Kashmir, raid in Coochbihar, and shooting down of unarmed Indian Canberra.³ It would be difficult to think of worse time for taking this step.

This would mark entry of Pakistan into guided missile field and would therefore arouse particular apprehension. We have just been through storm of bilaterals and were fortunate that announcement of forthcoming bomber deliveries was for time being so completely overshadowed by Tibet. Bilateral issue is however by no means dead and when bombers actually start arriving this issue will certainly arise acutely again.

Fear of attack from Pakistan, fear of increased strength and quality which American arms aid gives to Pakistan forces, and fear that such aid makes them more confident and "trigger happy" is, rightly or wrongly, profound and lies close to surface of every Indian's thinking. For US to equip Pakistan Air Force with "Sidewinders" or any important additional modern piece of equipment particularly after shooting down of Canberra and in view recent public statements by Pakistan Minister that India is their enemy⁴ would outrage public opinion here and would in my opinion materially set back good progress in improved relations with India which we have made over past two years. Reaction in terms of additional expenditures by India for counterbalancing equipment would be very probable.

I fully appreciate problem posed by necessity of keeping any military force up to date but I am convinced that only way in which this problem can be solved at all satisfactorily would be to deal with it in context of a general understanding for arms limitation by both countries such as we had discussed before. If Indians could see that there was some end to process of arming Pakistan with American equipment or some understood limits of maintenance and modernization within which our help would be confined, there would be chance of getting some degree of public understanding and acceptance here. In absence of such an understanding I can see nothing but acute trouble for US in proposed action.

I am particularly concerned by the fact that such action will certainly be regarded here as wholly inconsistent with our repeated assurances that no additional aid above level of 1954 agreement is contemplated. We will be charged with having seriously misled GOI and Indian public.

³ On April 10, the Pakistani Air Force shot down an Indian-piloted Canberra jet aircraft; see Document 65.

⁴ Reference is presumably to a statement made by Foreign Minister Qadir on April 1; the text of the statement was transmitted to the Department of State, in telegram 2231 from Karachi, April 2. (Department of State, Central Files, 690D.91/4-259)

In addition to everything said above I feel that any action now or in next few months would be peculiarly unfortunate because of fact that Indus waters matter is just about to come to head. I feel and I am sure Department and Embassy Karachi agree that it is matter of primary concern to US, to India and to Pakistan that a real settlement be reached on this major issue. Nothing should be done which would render achievement of such settlement more difficult. Anything which adds to fear or suspicion of Pakistan, India will have precisely this effect.

Therefore I most earnestly recommend that no agreement for supply of more modern aircraft or "Sidewinders" to the Pakistan Air Force be reached and no indication that move being considered be revealed until after an Indus waters settlement has been achieved and then that effort be made to work out understanding with respect to modernization on both sides in context of some sort of arms limitation by the two countries.

Bunker

350. Memorandum From the Assistant Secretary of State for Policy Planning (Smith) to the Acting Secretary of State¹

Washington, April 23, 1959.

SUBJECT

Proposed Supply of "Sidewinders" to Pakistan

1. Ambassador Bunker recommends (attached)² that pending settlement of the Indus waters issue we defer any decision to furnish Pakistan with more modern aircraft or "Sidewinders". He recommends that we try then to work out an arms limitation understanding between Pakistan and India.

2. I support Bunker's recommendations.

3. An agreement to deliver "Sidewinders" to Pakistan would be one way in which we might well defeat the IBRD's efforts to effect a settlement of the Indus waters problem.

¹ Source: Department of State, S/P Files: Lot 67 D 548, Pakistan. Secret. Drafted by Henry C. Ramsey of S/P. Copies of this memorandum were sent to Murphy, Rountree, and Adams.

² Reference is to telegram 2428, *supra*.

4. I am not unmindful of the persuasiveness of the Pakistani case as a result of the recent Canberra incident.

5. Now seems like a good time to call a halt to a further arms spiral and to summon our influence in respect of each country toward some form of détente and plan of arms limitation. While we should first, as Ambassador Bunker recommends, permit the IBRD to move forward toward an Indus waters settlement, it is not too soon to commence planning toward the desired sequel to that event.³

³ On May 1, Dillon made the following handwritten comment on the source text: "In the absence of new information of which I am unaware, I agree with Bunker. Any commitment to Pakistan should have my prior clearance."

351. Letter From the Acting Secretary of State to Senator J. William Fulbright¹

Washington, April 29, 1959.

DEAR BILL: Thank you for your letter of April 11 about the shipment of jet planes to Pakistan.²

This shipment fulfills a commitment made in late 1954 and did not represent any new or additional emphasis on military as distinct from economic aid to Pakistan. In fact, the delivery of these planes was originally scheduled for a much earlier date but had for a variety of reasons been delayed. We did not feel that a further delay at this time would be compatible with our original commitment to Pakistan.

The publicity attendant on this transfer originated with the Pakistanis and not ourselves. We have sought to avoid any greater publicity since it does create an unfortunate impression of an emphasis where none was involved or intended.

While the question of balance between economic and military assistance to Pakistan is one on which reasonable men might differ, you may be interested in noting from the material submitted to the

¹ Source: Department of State, Central Files, 790D.5–MSP/4–1159. No classification marking. Drafted in W/MSC and revised by Rountree in NEA. Senator Fulbright was Chairman of the Senate Foreign Relations Committee.

² This letter, addressed to Herter, refers to the sale of jet planes to Pakistan: "I wish to reiterate that in my judgment it is a mistake to emphasize so much arms aid to Pakistan. I will not bother you with a recitation of my reasons, as we have discussed it before, but I cannot refrain from saying that I hope the Administration will shift the emphasis from military aid to economic aid in places like Pakistan." (*Ibid.*, 790D.5–MSP/4–1159)

Foreign Relations Committee in connection with the FY 1960 Mutual Security Program that there has been a shift in emphasis toward the economic over the period FY 1958–FY 1960. If you wish, I and other witnesses who will testify on the program before your Committee will be prepared to deal with this question more extensively.

Sincerely,

Douglas Dillon³

³ Printed from a copy that bears this stamped signature.

352. National Intelligence Estimate¹

NIE 52–59

Washington, May 5, 1959.

THE OUTLOOK FOR PAKISTAN²

The Problem

To estimate political and economic developments in Pakistan over the next few years and their implications for the US.

Conclusions

1. The military regime of General Ayub has, in its first six months, made a start towards dealing with the staggering political and economic problems of Pakistan. The regime has appointed competent

¹ Source: Department of State, INR–NIE Files. Secret. National Intelligence Estimates were interdepartmental reports appraising foreign policy problems. NIEs were drafted by officers from those agencies represented on the U.S. Intelligence Board, discussed and revised by interdepartmental working groups, approved by the USIB, and circulated to the President, appropriate officers of cabinet level, and the members of the NSC.

According to a note on the cover sheet, the following intelligence organizations participated in the preparation of this estimate: the CIA and the intelligence organizations of the Departments of State, Army, Navy, Air Force, and The Joint Staff. All members of the USIB concurred with the estimate on May 5 with the exception of the representatives of the Atomic Energy Commission, the Federal Bureau of Investigation, and the National Security Agency, as well as the Assistant to the Secretary of Defense for Special Operations. Those representatives abstained since the subject being considered was outside their jurisdiction.

² Supersedes NIE 52–56, "Probable Developments in Pakistan," dated 13 November 1956. [Footnote in the source text. NIE 52–56 is printed in *Foreign Relations, 1955–1957*, vol. VIII, pp. 473–475.]

ministers and appears to have popular support, and we do not foresee the development of any significant organized opposition within the next year or two. (Paras. 6–20)

2. Over the longer term, however, there are a number of factors which may frustrate achievement of the regime's efforts to develop the political and economic foundations for enduring stability. There are possibilities for rivalries and dissension within the military. Pressures are likely to build up among civilians who will want more participation in running the country's affairs than Ayub is likely to give. These pressures are likely to be stronger in East Pakistan, which is the main center of Communist activity and where the people resent West Pakistan domination of the government. Should the regime's firm grip on the country be loosened, Communist influence in East Pakistan would probably expand, and could result in a serious threat to the continued unity of Pakistan. (Paras. 21–28)

3. The prospects for some short term improvement in the economic situation, particularly in food production, are fairly good. A major relaxation of tensions with India, including a settlement of the Indus waters problem, could open the way to a reduction of the excessive cost of the military establishment and to a reopening of trade with India, to the considerable advantage of Pakistan. Such steps, if coupled with the establishment of a stable and efficient government and continued substantial foreign aid, could help Pakistan meet the basic economic problem it now faces. However, the prospects for long term economic growth commensurate with the aspirations or even the requirements of an expanding population are not bright. (Paras 29–38)

4. In view of the depth of Pakistani hostility toward India and the number of issues still outstanding between the two countries, a change in the basic anti-Indian orientation of Pakistan's foreign policy will be slow to develop. However, the atmosphere for negotiation between the two countries has improved somewhat in recent months, and at least the beginning of a general settlement between the two countries may be achieved during the period of this estimate. Pakistani-Afghan tensions will probably persist. Pakistan will remain concerned about the expansion of Soviet influence in Afghanistan. However, overt aggression by either side is unlikely during the period of this estimate. (Paras. 39–42)

5. During the period of this estimate, it is unlikely that there will be any major change in Pakistan's openly pro-Western foreign policy. Over the longer run there may be a trend away from close alignment with the West, particularly if civilian elements gain major influence in the government. We do not believe, however, that Pakistan's foreign policy will become actively anti-Western in the foreseeable future.

Pakistan will probably continue modest trade with the Communist states but any significant expansion of relations with the Sino-Soviet Bloc is unlikely. (Paras. 44–51)

Discussion

[Here follow numbered paragraphs 6–38.]

IV. Foreign Affairs

Pakistan's Relations with its Neighbors

39. *India*: Both Pakistan's leaders and the mass of its people have tended to assess practically every development in foreign policy in terms of their own "cold war" with India. The primary objective of Pakistan's foreign policy since 1947 has been the bolstering of the country's position vis-à-vis India. The long-standing hostility and the number of issues between the two countries will make any change in Pakistan's basic orientation slow to develop. This is so even though the new regime is acutely aware of India's military superiority and is eager to concentrate its efforts on Pakistan's internal problems.

40. Nevertheless, there has been some improvement in the atmosphere for negotiations between the two countries. Leaders of the new regime in Pakistan have, initially at least, displayed a generally moderate and conciliatory attitude toward India, and are presently in a stronger internal position than their predecessors to carry out a policy of compromise with India. The Pakistani regime has for the first time since Partition made some moves toward permanent resettlement of Moslem refugees from Kashmir, thus implicitly abandoning the concept that these refugees must some day be returned to their homes. Sporadic border clashes in both East and West Pakistan and in Kashmir have continued, but the regime has acted promptly to stop the shooting and has minimized publicity on the incidents.

41. The new regime, whose finance minister is on leave from a position with the International Bank for Reconstruction and Development, has indicated that it is prepared to look with favor on the new proposal which the IBRD is about to put forth for solution of the Indus waters dispute. If the Indus waters problem were to be solved, the ground would be clear for an attack on the emotion-laden Kashmir dispute. A strong Pakistani regime might eventually find it possible to accept a settlement pretty much along the present cease-fire line if some way could be found for a face-saving Pakistani "presence" in the Vale of Kashmir. Thus, the beginning of a general settlement between the two countries may be achieved during the period of the present estimate.

42. *Afghanistan*: Pakistan's eleven-year-old quarrel with Afghanistan has had much less serious consequences than its quarrel with India. With US encouragement and assistance, Pakistani-Afghan relations have improved considerably since 1955, when tension between the two countries resulted in mobilization of the Afghan army and a Pakistani blockade of Afghan transit trade. The Afghan government has demonstrated deep distrust of the military regime, however, and acute resentment at the imprisonment of noted Pakistani Pushtun leaders who have opposed the central government's efforts to increase its control over the Pushtun area. Conversely, the military regime in Karachi is likely to continue concerned about the expansion of Soviet influences in Afghanistan (especially in the military field) and is unlikely to give up all thoughts of overthrowing the present Afghan regime should a favorable opportunity occur. In this atmosphere, a permanent settlement of the Pushtunistan dispute is unlikely, although we believe that overt aggression by either side is unlikely during the period of this estimate.

43. *Other Middle East States*: The secularminded military regime is unlikely to revive the efforts of earlier governments to compete for leadership of the Moslem world. It will probably continue to seek cooperation with Turkey which it regards as a model modern Asian state. It will probably continue to look down upon Iran as unstable, unreliable, and the weakest link in the Baghdad Pact. Sufficiently far removed from Nasser to be unafraid of the effects of radical Arab nationalism on its own position, the Karachi regime is likely to remain more willing than Turkey or Iran to come to some kind of accommodation with the UAR, especially if it feels the West is moving in this direction.

Relations with the West and the Communist Bloc

44. During the period of this estimate, it is unlikely that there will be any major change in Pakistan's openly pro-Western foreign policy. Ayub and other top military officers are all convinced of the necessity of continued US aid in both the military and the economic fields. These leaders and most of the officer corps are genuinely anti-Communist and are unlikely to do anything which would adversely affect US and Free World defense interests in Pakistan. At the same time, their pique over US aid policies in regard to India is likely to continue and their resentment at their country's increasing dependence on the US to grow. This, coupled with the leaders' confidence in their own ability to control events in Pakistan, will probably make the present government less inclined than its unstable predecessors to confide in the US and seek its advice on internal matters and foreign policy issues.

45. Since the ouster of President Mirza, who was generally respected and trusted in London, there have been some indications of coolness in relations between Pakistan and the UK. Pakistan's new leaders have made no effort to conceal their annoyance at unrestricted British sales of military equipment to India. This coolness, however, is unlikely to lead to estrangement between Pakistan and the UK or to threaten the Commonwealth tie.

46. Pakistan's leadership sees its membership in both SEATO and the Baghdad Pact primarily as a means of getting arms from the US in order to improve its position vis-à-vis India. Nevertheless, Pakistani leaders are in sympathy with the anti-Communist objectives of both treaty organizations, and value the US commitment of support against Communist aggression. They will probably continue to co-operate in both pacts, at least as long as the US appears to want to preserve them and continues to supply military aid.

47. Ayub has in the past talked about contributing Pakistani troops in the event of a Western-supported UN operation or direct Western involvement in a limited war in Asia. The military regime probably believes that it could thereby increase Pakistan's prestige internationally, acquire combat experience for its troops, and have the expenses footed by the West. This idea will probably continue to have considerable appeal to the Pakistani military, and, should the appropriate circumstances arise, the Ayub regime would probably be prepared to supply troop units for use outside the country, if this could be done without endangering internal security or Pakistan's position vis-à-vis India.

48. The Communist bloc has generally supported India in the latter's quarrels with Pakistan and has hardened its attitude toward Pakistan since signature of the Pakistani-US bilateral military agreement in March 1959. Pakistani leaders are aware of the military threat to their northern borders posed by the USSR and Communist China. They have attempted to strengthen their defense posture through membership in the Baghdad Pact and SEATO, and they have succeeded in obtaining armaments and a pledge of support by the US against Communist attack. At the same time, their membership in those Western-sponsored military alignments has acerbated Pakistan's relations with India and Afghanistan.

49. The military regime is likely to continue the modest trade arrangement now in effect with the Soviet Bloc, and perhaps, as a device for maintaining US support, to display occasional signs of susceptibility to Soviet economic and technical assistance. No cordiality of relations with the Soviet Bloc, however, is likely to develop in the foreseeable future.

50. Relations with Communist China are not likely to expand. Pakistani governments have in the past apparently flirted with the idea of trying to use Communist China as a counterweight to India. However, the military regime is probably more aware than its predecessors that West Pakistan, as well as India, shares a Himalayan border with Communist China and that the potentially dangerous indigenous Communist movement in East Pakistan is particularly susceptible to encouragement by Peiping. Recent events in Tibet have caused some Pakistani and Indian leaders to become more aware of the desirability of a joint approach to defense of the subcontinent. If both countries come to feel that they are directly threatened by Chinese Communist expansionism, they might eventually move toward a common effort to resist it.

51. Over the longer term, there may be a trend away from close alignment with the West, particularly if civilian elements gain major influence in the government. Especially in East Pakistan, the public has never fully supported the strong pro-Western orientation of Pakistan's governments and Afro-Asian neutralist ideas have considerable popular appeal. The military regime, in order to enhance its popular support, may make gestures toward closer ties with the Arab nations and increased cultural relations with the Communist bloc. In addition, increased trade with the Bloc may offer a means of disposing of Pakistan's surplus agricultural commodities, especially cotton and jute. Nevertheless, Pakistan will continue to have its predominant ties with the West. Except in the unlikely event of a takeover of the government by Communist or Communist-dominated elements, we do not believe that Pakistan's foreign policy will become actively anti-Western in the foreseeable future.

353. Memorandum From the Deputy Director of the Office of South Asian Affairs (Adams) to the Assistant Secretary of State for Near Eastern and South Asian Affairs (Rountree)¹

Washington, May 5, 1959.

SUBJECT

Review of Our Military Aid Program to Pakistan

It is anticipated that delivery of military aid equipment to Pakistan under the Aide-Mémoire of 1954 will be nearly completed by the end of fiscal year 1960. Therefore, before July 1, 1960, we should have an agreed U.S. Government position on the level and nature of future military aid to Pakistan. As you know, a working group chaired by NEA/NR with representatives from Defense, ICA, W/MSC, and SOA has been working on a review of the military aid program.

In the meantime, the Draper Committee has visited Pakistan and is expected to make recommendations on future military aid to that country. In preparation for the visit of the Draper Committee the Country Team of our Embassy in Karachi prepared a lengthy statement on the military aid program in Pakistan which it has submitted to the Department under cover of Despatch No. 762, dated February 26, 1959.² In this statement the Embassy has made a number of penetrating observations regarding our future military aid policy towards Pakistan.

Two central themes run through the Country Team review. These are that:

(a) It is not possible to formulate a rational policy on future military aid to Pakistan until our military planners decide in specific terms what our strategic objectives are in Pakistan. These objectives must then be translated, with the concurrence of all affected agencies, into attainable and realistic force goals which the United States is willing to support financially.

(b) Substantial reductions in our military aid program to Pakistan and in its own defense burden would be politically feasible only in the context of greatly improved relations between Pakistan and its neighbors, India and Afghanistan, particularly the former.

¹ Source: Department of State, Central Files, 790D.5-MSP/5-559. Confidential. Drafted by Poullada on May 4. Copies of this memorandum were sent to NEA/NR and W/MSC.

² Despatch 762 is printed as Document 344. The attached Country Team presentation is not printed.

SOA agrees with this thesis and is of the opinion that any conclusive review of our military aid program should have as its starting point a clear statement by our military authorities of our minimum security objectives in Pakistan with a listing of the forces and facilities which such objectives require. At present there exists some uncertainty regarding the attitude of the United States towards the size and character of the military establishment which Pakistan should maintain. An example of this uncertainty is the fact that the United States has the following different sets of "force goals" for Pakistan in various contexts:

- (a) MAP force goal and JCS "Strategic" force goal—5½ divisions.
- (b) Approved BP force goal "for planning purposes"—8 divisions.
- (c) At the BPMC meeting in the fall of 1958 our military representative reportedly concurred in a proposal for 6 divisions as a BP force goal.³

Under these circumstances it is natural for the Pakistanis to press for U.S. financial support for the largest of the approved force goals regardless of the original context in which these goals were formulated.

Another example of uncertainty is our attitude towards non-MAP supported forces, i.e., anything in excess of 5½ divisions. One of our stated MAP guidelines has in the past been to "encourage the Government of Pakistan to eliminate or substantially reduce forces in excess of United States strategic force objectives for Pakistan." Although this guidance for MAAG/Pakistan is being modified for FY 1961, the pressure to get Pakistan to reduce its non-MAP supported forces continues in various quarters of the U.S. Government. At the same time we do not support, nor do we permit MAP material to be used by, Pakistan Army units in East Pakistan or along the Kashmir Cease-Fire Line.

Inasmuch as we recognize (1) Pakistan's right to maintain military forces in East Pakistan for internal security and legitimate self-defense and (2) Pakistan's obligation under existing United Nation's arrangements to maintain an armed force of a certain size (about 6,000 regular troops) along the Cease-Fire Line in Kashmir, we could hardly require that Pakistan eliminate her army units in those areas unless we are prepared to have them replaced by MAP-supported units, which in turn would reduce by two divisions the effective "strategic" force for defense against communist aggression.

Inconsistencies of this kind make it difficult to formulate a rational military aid program for Pakistan. We must recognize the possibility that a reassessment by our military of the role which Pakistan occupies in our strategic planning might result in recommendations for force

³ Documentation on the Baghdad Pact Military Committee meetings is in Department of State, Central File 780.5.

goals lower or possibly higher than those now being supported. This would present us with difficult decisions: (a) if lower, whether we should, for political reasons, continue to support forces in excess of our strategic requirements in the face of economic pressures to reduce military expenditures; or (b) if higher, whether we should, for military reasons, support larger armed forces in Pakistan which would add to the economic burden and heighten area tensions.

Given the importance of the decisions which must be made in the near future with regard to future military aid to Pakistan, we thought you would be interested in reviewing the principal points made by Ambassador Langley and his staff in Karachi's Despatch 762 of February 26, 1959, and we have prepared an edited summary, attached for your convenience.

Attachment

SUMMARY OF EMBASSY KARACHI'S DISPATCH 762, FEBRUARY 26, 1959, DRAPER COMMITTEE PRESENTATION⁴

1. Objectives of Military Aid to Pakistan.

The decision to extend military assistance to Pakistan was based largely upon political considerations. It was a response to Soviet and Communist-China pressures as they existed in 1953 and 1954. U.S. military aid was designed to achieve three basic goals:

(a) To establish a favorite [*favorable?*] psychological climate for the Baghdad Pact.

(b) To provide indigenous military forces which might be used in the defense of the free world.

(c) To obtain [*less than 1 line of source text not declassified*] facilities in Pakistan which could be available for use by the U.S. [*less than 1 line of source text not declassified*]. In large measure, these objectives have been achieved.

2. Criticism of Military Aid.

Assertions that the military aid program has not contributed to area stability may have some validity if the term "area" refers only to South Asia. If the term "area" is expanded to cover also the Middle East region and Southeast Asia, then military aid to Pakistan undoubtedly contributed to the association of Iran, Iraq and Turkey in the

⁴ Confidential. Drafted by Poullada on May 4.

Baghdad Pact and to the formation of SEATO. Therefore, any decision on the part of the U.S. to reduce military aid in Pakistan should be weighed in the light not only of its effect in the South Asia region but also on the wider Middle East and South East Asian areas.

3. Need for Policy Review;

While it is obvious that Communist military pressure is still being exerted in South Asia, both directly and indirectly, especially through Tibet and Afghanistan, it is also evident that Soviet emphasis has recently been directed to the economic as much as the military field. In view of this change in Soviet policy and taking into account the political instability created in South Asia as a whole as a result of Indo-Pakistan and Pakistan-Afghanistan tensions, a careful review of U.S. policy with regard to military aid is called for. This review must start with a realistic military estimate of the role which we expect Pakistan to play in South Asian defense and regional collective arrangements. It should also take into account technological and other military developments which have intervened since our original military aid program was conceived.

4. Need for Realistic Military Assessment.

The first step in a policy review of the military aid program must be a realistic appraisal of our military objectives. Such a military review should answer the following questions:

- (a) Is our main objective in Pakistan military and strategic?
[*Subparagraph (b) (2 1/2 lines of source text) not declassified*]
- (c) For what specific purposes does the U.S. need Pakistan's 5 1/2 MAP-supported divisions?
- (d) Are we assisting in this ground forces program for its own sake
[*1 line of source text not declassified*]?
- (e) Have we sufficiently considered that the 5 1/2 divisions now supported by the U.S. would in all probability remain pinned down along the Indian and Kashmir borders in case of hostilities?

5. Review of Political and Economic Factors.

Once the above military re-appraisal is completed a policy decision based upon economic and political grounds becomes possible. In any such decision, we must face up to the following stark realities:

- (a) To date, despite the planned expenditure of nearly \$1 billion of U.S. economic aid, Pakistan has been unable to approach economic viability.
- (b) Although we are committed to support 5 1/2 Army divisions, we are actually supporting the equivalent of only about three divisions. The reason is that much of the material listed as "assets" in 1954 has become obsolete.

(c) Little progress has been made towards a rapprochement between Pakistan and its two neighbors India and Afghanistan. Pakistan's military planning is focused on possible hostilities with these two neighbors.

(d) While recent Pakistan Governments have strongly supported Western military security measures, this should not be interpreted as reflecting popular public opinion in Pakistan. On the contrary, there is a strong current of opinion which is basically anti-Western. Once political parties are restored, we should anticipate the emergence of powerful political forces which may seek to make effective capital out of demanding a re-orientation of Pakistan's foreign policy. In the extreme position, this campaign could include the cry of "throw the Americans out".

(e) In weighing the economic impact of military programs, we should keep in mind that the defense forces in Pakistan constitute a favored elite. Pakistan exists today because of the strong army it inherited and maintained. Defense forces have the first call on Government of Pakistan resources. It may be expected, therefore, that very substantial cuts in military expenditures will not be undertaken, even at the risk of serious economic deterioration.

(f) The "costing" study recently undertaken by the Defense Department projects probable increases in the rate of defense expenditures in Pakistan of approximately 10 percent per year. This does not appear to take into account the probable total additional cost of replacement and attrition which will probably mount rapidly in the next 3 years as existing equipment becomes obsolete.

6. Relationship Between Military and Economic Aid.

(a) *The Defense Burden:* In 1958, defense expenditures in Pakistan are estimated to have been somewhat less than 4 percent of the GNP and 29 percent of total expenditures of the central government. Defense forces absorb an appreciable portion of the country's own foreign exchange in addition to import items supplied under the military aid program. Pakistan foreign exchange provided for 1958 made a direct allocation of about 15 percent to the Ministry of Defense. In preparing the FY 1960 aid program, USOM/P estimated that if the Pakistan armed forces were kept at their current strength, capital needs would approximate \$100 million per year. This was the projected level of defense support aid. It was assumed that this along with the level of recent years of foreign private capital, IBRD loans and Colombo Plan aid, would provide the investment sufficient to provide a GNP growth roughly equivalent to that in the rise of population. It was also estimated that Pakistan could absorb over the next 5 years some \$300 million of DLF loans in addition to those currently under consideration. The combined total of the above was estimated to yield an annual growth rate of about 3 percent in GNP.

Unlike many countries, Pakistan has preferred to finance the greater part of the military budget out of its own resources. In GOP/FY 1959, only about 10 percent of the defense budget was financed with U.S.-owned or controlled rupees. Counterpart and sales proceeds have been used to finance the development budget.

(b) *The Domestic Economy*: A critical element in Pakistan's economic future is its foreign trade. In 1957 some 75 percent of Pakistan's export earnings were from jute and cotton and both of these commodities are extremely sensitive to fluctuation in world trade. Depressed cotton prices resulted in barter deals between Pakistan and Iron Curtain countries. Soviet bloc imports under these barter deals were mostly capital goods which give the communist countries a permanent entry into Pakistan's markets. In the short run, the only countermeasure open to the U.S. would be to extend loans which would allow Pakistan to finance these stocks until the market became active. However, world-wide implications of such a policy make it obviously unwise. Consequently, there is no short-term answer to this problem. In the long run, however, Pakistan must mobilize its full resources if external aid programs are to help in achieving sufficient viability to withstand such temporary shocks.

(c) *Continued Military Aid is Essential*: Pakistan, with its current rate of growth, will not be able, in the short or medium term, to support from its own resources a defense establishment of the current magnitude. The Country Team agrees with the desirability of having the Government of Pakistan reduce its military forces in excess of the MAP force objectives. There is, however, not much chance of this being done as long as Pakistan regards India as a constant threat to its security. This complicates the overall problem of economic aid. American assistance is necessary and will be required for some time to come if Pakistan is to continue to make [less than 1 line of source text not declassified] facilities available to the U.S. It is also essential to assist the Pakistan Government in carrying the economic burden of its defense establishment.

7. Future Military and Economic Aid.

(a) *Military Aid Level*: Since the military program under the 1954 commitment is virtually completed, future military assistance should protect the investment of the U.S. by providing maintenance and spares required to support current MAP forces. In addition, a modernization program directed towards replacing old British and lend-leased equipment over a number of years should be undertaken. It is estimated that the annual cost of such programs will be between \$50 million and \$60 million.

(b) *Reduction in Military Expenditures:* The present military regime in Pakistan would react strongly to any indication that the U.S. planned to cut back on either its military or economic aid programs. We might, nevertheless, be able to induce the Government of Pakistan to accept a limited reduction in military expenditures provided:

(1) The reduction is presented as a general re-appraisal by the U.S. as part of which other U.S. allies would be expected to reduce their defense burdens in return for the promise of additional economic assistance. If this increased economic aid were to be channeled through some new original arrangement, dramatic in its conception and practical in its operation, it would stand a better chance of acceptance by the Government of Pakistan.

(2) Reduction of military assistance is coupled with settlement of one or more Indo-Pakistan disputes.

(3) Pakistan is unable to receive military aid from any other foreign country.

(c) *Balance Between Economic and Military Aid:* In the past, U.S. military aid has been disproportionate to U.S. economic aid. It has permitted maintenance of army forces without sufficient economic growth in the non-military sector. An effort should be made to stabilize the defense forces and emphasize economic investment in order that the economy can grow and eventually support military forces of the current size. This approach to the aid problem is substantially hampered by the U.S. inability to commit itself to long-term slow-growth type of project. Thus the U.S. has never openly supported Pakistan's 5-year plan.

(d) *Economic Aid Policy:* In the field of economic aid, if the present regime's intentions to put the economy on a sound basis are borne out in action programs, the U.S. should be prepared to support these programs to the limit. The U.S. should make quicker decisions and take certain amount of risk in order to capitalize on political impact possibilities. Grudging approval, after long and frustrating negotiation, often results in adverse political returns to the U.S. irrespective of the magnitude of sums expended. Pakistan must be helped through the aid program to diversify its exports to develop its natural resources particularly oil and to reduce its dependence on imports especially food items.

354. Memorandum of a Conversation, Department of State, Washington, May 8, 1959, 3 p.m.¹

SUBJECT

Call on Mr. Rountree by Pakistan Ambassador Regarding Military Aid; F-104 Aircraft

PARTICIPANTS

Ambassador Aziz Ahmed, Ambassador of Pakistan
Mr. M. S. Shaikh, Counselor of the Pakistan Embassy
NEA—Mr. William M. Rountree
SOA—Mr. Leon B. Poullada

The Pakistan Ambassador called on Mr. Rountree May 8, 1959 at 3:00 p.m. to present an Aide-Mémoire supporting Pakistan's request for replacement of its F-86 Sabre jets by F-104s.² In his oral presentation, he emphasized that Pakistan needed higher performance fighter aircraft in order to protect its air space. This requirement, he said, had become more imperative because the U.S. "communications unit" near Peshawar had aroused the suspicions of the Russians and the Indians. The Ambassador stated that during the recent visit of Air Marshal Asghar Khan (C-in-C of the Pakistan Air Force) officials of the U.S. Department of Defense had indicated to him that the U.S. was prepared to supply F-104s provided Pakistan were willing to share in the cost of such aircraft.³ The GOP wished to request that this aircraft be made available on an aid basis and not on a "sharing of cost" basis.

Mr. Rountree replied that there were a number of financial, economic and technical considerations which had to be taken into account in connection with the request for increasing the capabilities of the Pakistan Air Force. Our military experts were of the opinion that adding high-performance fighters to the Pakistan Air Force would strain the logistic, maintenance and supply facilities of the Pakistan

¹ Source: Department of State, Central Files, 790D.5622/5-859. Secret. Drafted by Poullada on May 12.

² Not printed. (*Ibid.*, 790D.5622/5-859)

³ In telegram 2485 from Karachi, May 5, Ambassador Langley reported that on May 4 President Ayub handed him a letter requesting the Embassy to urge the Department of State and the Secretary of Defense to grant approval for the replacement of a certain number of F-86 aircraft with F-104 aircraft. In his letter, the text of which Langley transmitted to the Department in this telegram, Ayub stated that he had to again call the attention of the U.S. Government "to the fact that Indian and Russian interest in our air space has intensified since the installation of the American Communications Unit near Peshawar. Despite our statements to the contrary, our neighbours suspect that the unit is an actual or potential launching site for missiles." He stated that, as a direct result of the installation of the unit at Peshawar, Pakistan's military commitments had increased beyond the country's capacity. Accordingly, he pointed out that Pakistan felt very strongly that it should not be asked to pay any part of the cost of the F-104s. (*Ibid.*, 790D.5622/5-559)

Air Force at a time when it must also absorb the jet bombers it will receive in the near future. He added that because of insufficient numbers and financial limitations the U.S. had not been in a position to provide F-104 aircraft to any of its allies.

Mr. Rountree went on to say that he would like to address himself more generally to the question of the military aid program. With the next fulfillment of our commitment under the 1954 Aide-Mémoire, an opportunity was presented for both Pakistan and the U.S. to review the military aid program so as to make it more consistent with the political and economic objectives shared by Pakistan and the U.S. This did not mean that we underestimate the importance of maintaining an adequate military establishment in Pakistan for purposes of internal security and defense against aggression. In recognition of the need to prevent the deterioration of the military units in Pakistan which we now support, we plan to continue to provide military assistance to Pakistan which will logically include some modernization of equipment. This, however, should proceed in an orderly and gradual manner as a result of natural attrition and take into account absorptive capacity as well as the financial limitations of both Pakistan and the U.S.

Mr. Rountree added that the proposed marked increase of capability of the Pakistan Air Force would in our judgment:

(1) Place an additional financial burden on both the U.S. and Pakistan for initial cost and maintenance at a time when Pakistan has undertaken important economic and fiscal reforms which require careful husbanding of all its external and internal assets. Mr. Rountree noted parenthetically that, according to information available to us, the initial cost of the 30 F-104s requested by Pakistan with spares and related equipment is estimated at nearly \$40 million with an annual maintenance cost of nearly \$7 million.

(2) Constitute modernization at a forced draft rather than in response to normal attrition.

(3) Probably cause India to purchase comparable weapons.

(4) Heighten tensions between India and Pakistan at a time when developments in Tibet are bringing the countries closer together and while the critical Indus waters problem appears to be nearing solution. The U.S. has reason to hope that the most recent IBRD plan may form the basis for a resolution of the long-standing Indus waters problem, and we would not wish to do anything to diminish the chances of such a settlement.

Mr. Rountree added that we fully understood the reasons why Pakistan sought additional military strength and that the foregoing was a review of the factors which had entered into our deliberations in considering the request of the Pakistan Government. He wished to assure the Ambassador that this request had not been treated lightly and that we were receiving his Aide-Mémoire in that spirit.

The Pakistan Ambassador then stated that the GOP also was hoping for an Indus waters settlement. If the Bank proposal was at all reasonable, he was certain that the GOP would accept it. He was also of the opinion that India was now closer to accepting a settlement than ever before. He added that some narrow differences still remained between Pakistan and the Bank regarding the latest proposals, namely the question of amount of storage on the Indus. The Ambassador felt reasonably certain that this difference would be resolved when Mr. Black visits Karachi.

The Ambassador then went on to speak about the general threat of Communism to the area as evidenced by events in Iraq, Iran, Afghanistan, and Tibet. In his opinion, this Communist thrust was more dangerous than the Berlin situation and Berlin may be a diversionary tactic. The threat to South Asia in the form of Communist subversion and exploitation of regional quarrels required joint action by India and Pakistan and he had been making public statements to this effect. He was somewhat disappointed by Mr. Nehru's response to Pakistan's offer for a joint defense arrangement. There was not much time left for strengthening the northern tier and for India and Pakistan to compose their differences and together face the common foe. With regard to Tibet, the Ambassador stated that the danger of overt invasion of the sub-continent was not great but Tibet might become an offensive base for bringing various kinds of pressure on India and Pakistan.

Mr. Rountree replied that whether or not the Communist pressure in Berlin was a diversionary tactic we should continue to expect the Communist bloc to probe and push wherever it could find a weak spot. The U.S. and Pakistan had never had illusions about Communist bloc intentions and certainly agreed in principle, on the need for programs to counteract bloc pressures. There might, however, be differences of opinion as to timing and detail.

The Pakistan Ambassador returned to the subject of military aid by stating that Mr. Rountree's remarks seemed to go beyond the question of providing F-104s and that he understood them to apply to the broader problem of future military aid to Pakistan. In this connection he hoped that the U.S. would take into consideration the general threat to the area about which he had just spoken. With regard to the specific question of the F-104s, he wanted to assure Mr. Rountree that his government was able to bear the additional financial burden without increasing its defense budget. He then went on to say that he was somewhat puzzled because the "cost-sharing" proposal which the Department of Defense had made to Asghar Khan would indicate that there was no question of policy involved in furnishing the F-104s but merely one of financing.

To this Mr. Rountree replied that in considering Pakistan's requests for strengthening its armed forces there were four general aspects that had to be taken into account: (1) the political, (2) the technical, (3) the financial, and (4) the economic. We had understood that the Department of Defense would tell Asghar Khan that F-104s were not available and, therefore, could not understand the significance of the "cost-sharing" proposal. Mr. Poullada pointed out that in any case we had understood that the conversations between DOD and Asghar Khan were of a technical military nature and were not intended to define U.S. Government policy on the question of supplying higher performance fighters to the Pakistan Air Force. The Pakistan Ambassador stated that in that case, his present request was based on the misapprehension by his government that political and economic questions had already been decided favorably and that only the question of financing the aircraft remained. Mr. Rountree assured him that such was not the case.⁴

⁴ During their conversation, Aziz Ahmed also reviewed for Rountree the background of previous Pakistani requests for specifications, drawings, and other assistance for the production in Pakistan of M-14 and M-15 rifles and M-60 machine guns. Rountree confirmed previous U.S. replies to the effect that all three weapons were in various stages of development and had not yet been tested for mass production. For this reason, the plans and specifications were not yet releasable. A separate memorandum of this portion of the Rountree-Aziz Ahmed conversation is *ibid.*, 790D.56/5-859. The Department transmitted a summary of this meeting to the Embassy in telegram 2720 to Karachi, May 14. (*Ibid.*, 790D.5-MSP/5-1459)

355. Telegram From the Department of State to the Embassy in Pakistan¹

Washington, May 27, 1959—6:56 p.m.

2848. From Rountree for Ambassador Langley.

1) By now you have probably received memo of my conversation May 8 with Pakistan Ambassador pouched all addressees May 14. Summary cabled Deptel 2720 to Karachi.² Position contained paragraph 3 therein represents statement USG's current policy toward future aid to Pakistan armed forces and has been cleared by Defense and ICA. It substantially reflects military part of "package" which was

¹ Source: Department of State, Central Files, 790D.5-MSP/5-2759. Secret. Drafted by Bartlett and approved by Rountree. Also sent to New Delhi and repeated to London.

² See footnote 4, *supra*.

endorsed at highest levels of USG just a year ago and is based on: a) assumption worldwide East-West tensions will not increase materially b) communist military threat to NEA area will not become more acute and c) India will accept in effect similar conditions re military build-up, i.e., modernization of equipment “should proceed in an orderly and gradual manner as a result of natural attrition and take into account absorptive capacity as well as the financial limitations” of country. I believe you are in substantial agreement with this substantive position as indicated your briefing papers for Draper committee representatives. (Embdes 762 February 26)³

2) Department had planned issue instruction to you discuss proposed position with Ayub and, depending upon outcome of discussion had planned request New Delhi obtain Indian reaction to similarly limiting modernization of its equipment. We would have asked you emphasize our deep interest in continuing support Pakistan both economically and militarily, stressing that security for Pakistan is also inherent in our collective security arrangements with it and on specific assurances such as contained in recent US note delivered by you to Ayub on April 15 Embtel 2328.⁴ If Pakistan and India in general agreement re modernization policy we finally would have asked UK to help support it.

3) Before such instruction is sent however would appreciate your personal advice as to timing and method of approach. We had thought present time appropriate as any in reasonably near future since: a) 1954 agreement implementation coming to end, b) basic principles for Indus settlement appear to have been agreed upon, c) new Pakistan regime seems sincerely concerned with strengthening country’s financial position and d) continued refusals on ad hoc basis of GOP requests for military items (as for instance re F-104’s, Embtel 2485)⁵ may tend to lead more to resentment by Pakistan than would frank exchange of views. As for approach we felt you in best position handle it due your close relations with Ayub who alone can make final decision. In connection both timing and method of approach we most anxious reduce to minimum any excuse for military to think we and Ayub, if he accepts position, are “letting them down” because military’s loyalty to new regime is basic guarantee of its stability. We believe promise continued military support beyond 1954 commitment should be welcome to military.

³ Despatch 762 is printed as Document 344. The briefing papers are summarized in Document 353.

⁴ See footnote 6, Document 348.

⁵ See footnote 3, *supra*.

4) Instructions re your reply to Ayub letter requesting F-104's (Embtel 2485) will be influenced by your reply this telegram.⁶

5) For Brown New Delhi—Would appreciate your reactions re substance of proposed USG position and of timing and method of approach in relation GOI.⁷

Dillon

⁶ Langley replied to this cable in telegram 2662 from Karachi, May 30, advising against speaking with Ayub short of an actual Indian agreement on arms limitation. (Department of State, Central Files, 790D.5-MSP/5-3059)

⁷ Brown replied in telegram 3050, Document 73.

356. Editorial Note

Finance Minister Shoaib arrived in Washington on May 31 for an official 13-day visit. In telegram 2607 from Karachi, May 23, the Embassy explained that the purpose of his visit was to submit an "urgent request" for additional fiscal year 1959 assistance from the United States for the procurement of additional raw material imports. (Department of State, Central Files, 790D.5-MSP/5-2359) Between June 1 and 12, Shoaib held a series of conversations with Department of State officials on matters ranging from Pakistan's economic problems and need for assistance to the Indus Waters dispute with India. He met with Rountree on June 1, Kennedy on June 2, Bell on June 3, Bartlett on June 4, and Rountree again on June 8. On July 12, Shoaib met with Acting Secretary of State Dillon. A memorandum of the conversation with Dillon is *infra*; memoranda of his other conversations are in Department of State, Central Files, 790D.5-MSP/6-158; 890D.00/6-259; 790D.5-MSP/6-359; 890D.00/6-459; 790D.5/6-459; 790D.5-MSP/6-859; and 790D.5622/6-859.

**357. Memorandum of a Conversation, Department of State,
Washington, June 12, 1959¹**

SUBJECT

Call upon the Acting Secretary by His Excellency, Mohamed Shoaib, Finance
Minister of Pakistan

PARTICIPANTS

The Acting Secretary, Mr. Douglas Dillon
His Excellency, Mohamed Shoaib, Finance Minister of Pakistan
Mr. Aziz Ahmed, Ambassador of Pakistan
W/MSC—Mr. John O. Bell, Special Assistant for Mutual Security Coordination
SOA—Mr. Henry W. Spielman

The Finance Minister opened the meeting by apologizing for being late, but pointed out that the flight on which he had a reservation from New York had been cancelled without notice, and it took a little time to locate another flight. Mr. Dillon reassured Mr. Shoaib that this was not unusual and that he had had a similar experience.

The Finance Minister said that he appreciated this opportunity to assure Mr. Dillon that the present Government of Pakistan was continuing its efforts to improve the economic conditions of the country. He thanked Mr. Dillon for the additional \$15 million of Defense Support made available to Pakistan,² and pointed out that these funds would be used to help supply the much needed imports to keep Pakistan's industries operating at near capacity, thereby producing additional commodities that would help combat inflation. Mr. Dillon said that it was because Pakistan, under the new government, had taken effective measures to meet the country's economic crisis that it was possible for the United States Government to help. Mr. Dillon pointed out that it was the example of such efforts that made it possible for the Department of State to present to Congress justification for the continuation of aid programs. Mr. Shoaib said that both he and President Ayub recognized the fact that the corrective measures taken to date were initial steps and that continued efforts would be required for a considerable period of time before an end would be in sight. For example, he said, it would be necessary to increase the rate of taxation on agriculture. Mr. Dillon injected that this added taxation might not be possible so soon after the implementation of the recent land reform measures.

¹ Source: Department of State, Central Files, 790D.5-MSP/6-1259. Confidential. Drafted by Spielman on June 15.

² Rountree informed Shoaib on June 8 that considerable effort had been made to locate additional funds for Pakistan, and that he was pleased to inform the Finance Minister that it would be possible to supply Pakistan with an additional \$15 million in Defense Support funds during fiscal year 1959. A memorandum of this conversation, drafted by Spielman, is *ibid.*, 790D.5-MSP/6-859.

Mr. Shoaib said that Mr. Dillon was correct. He then went on to point out that his government expected some adverse effects from the land reform program, but that they probably would not be noticeable until next spring. He said that the current good wheat crop had been produced under the old system and with favorable weather conditions; that little food was produced during the summer growing season and that the main food crop was wheat, which would be planted in the fall. The old landlords had provided useful services, he said; now the government was busy creating machinery to replace the landlords, making provision for agricultural credit, and in encouraging a broader marketing organization. He, as well as Ambassador Ahmed, thought that credit for service facilities would be ready in time to meet most of the requirements for the fall planting of wheat. However, it probably would not meet the full requirements of the new system, and therefore wheat production, he pointed out, would likely be smaller next year. Mr. Dillon assured the Finance Minister that if additional wheat were required the United States would attempt to supply it from PL-480 resources.

In his conversations with businessmen in New York the Finance Minister said that he was encouraged by the number who had expressed an interest in taking advantage of the two-year tax moratorium for industries established after April 1, 1959. Mr. Dillon said that this tax holiday should be an inducement for encouraging both foreign and domestic investment in new enterprises. He then asked if the revision in Pakistan's income tax would materially affect receipts. Mr. Shoaib said that by reducing the tax rate on personal incomes he thought that a much higher proportion of income would be declared and that resulting revenue would be maintained at the same level; in fact, in his new budget presentation for FY 1960 revenue from income taxes was being shown as the same amount as the previous year.

Mr. Shoaib said his government was also encouraged by the reaction of the German Finance Minister³ who recently visited South and Southeast Asia and who had recommended a line of credit amounting to Deutschmarks 130 million at 5½ percent interest. Mr. Shoaib said that the German interest was determined by adding one percent to the going rate in Germany at the time of the loan. This loan was for the purchase of goods made in Germany, but was a long term loan and not merely a suppliers' credit. In response to a question, Mr. Shoaib said that the British used the same rule of thumb for determining the rate of interest on loans.

Mr. Dillon pointed out that one reason Pakistan had received a large amount of Development Loan Fund loan assistance was because Pakistan had submitted a large number of applications for sound

³ Heinrich von Brentano.

projects. He hoped that Pakistan was continuing to develop similar new project applications. The Finance Minister assured Mr. Dillon that such project applications were being developed.

358. Telegram From the Embassy in Pakistan to the Department of State¹

Karachi, June 23, 1959—5 p.m.

2809. Reference: Embtels 2802,² 2804.³ Ayub statement transmitted reference telegram, headlined all Pakistan papers June 23, constitutes prompt, carefully worded response to release congressional testimony on Pakistan military aid program. Pakistan press June 21 carried lengthy Reuters account testimony including statements by General White,⁴ Mr. Dillon and Mr. McElroy. Pakistanis headlined White statement “no better fighters than Pakistanis.” (We note Indian papers headlined same story “Pakistanis urged by US to cut army.”)

Despite favorable Pakistan headlines, Ayub statement appears designed quickly reassure army that he has no intention reduce strength of army as suggested by General White and others in testimony. Ayub emphasizes defense problems of northwest frontier without specifically mentioning Afghanistan or Soviets, but also makes clear that Indian threat a major consideration. At same time skillfully turns tables by pointing out Pakistanis are defending historic subcontinent frontier for India while Indians allegedly concentrating troops on West Pakistan border. Finally Ayub reiterated Pakistan de-

¹ Source: Department of State, Central Files, 790D.5–MSP/6–2359. Confidential. Repeated to New Delhi, Lahore, Kabul, Peshawar, Dacca, and London.

² Telegram 2802, June 22, transmitted the text of a press statement issued that day at Natniagali by President Ayub. In his statement, Ayub noted: “From press reports on Congressional Committee meetings, one gets impression that there is a feeling in minds of some influential people in United States that Pakistan is keeping forces in excess of its requirements for external defenses in event of a general war. It is stated that five and a half divisions in Pakistan is all that is necessary to meet such a contingency. Such an impression is totally erroneous and based on an incorrect appreciation of military requirement of Pakistan.” (*Ibid.*, 790D.5/6–2259) The Congressional hearings to which Ayub referred were held April 23–May 14 before the Senate Committee on Foreign Relations; they are printed as *Mutual Security Act of 1959, Hearings Before the Committee on Foreign Relations, United States Senate*, 86th Cong., 1st Sess. (Washington: U.S. Government Printing Office, 1959).

³ Telegram 2804, June 23, transmitted the text of an editorial which appeared that day in the *Pakistan Times* on U.S.-Pakistani relations, with emphasis on the Congressional hearings. (Department of State, Central Files, 611.90D/6–2359)

⁴ General Thomas D. White, Chief of Staff of the U.S. Air Force.

sire for peace with India and claimed Pakistanis forced to maintain defensive forces in view of Indian "aggressive intentions and massive military buildup." Latter point reinforces Indo-Pakistan "joint defense" concept and provides new ammunition for Aziz Ahmed who we gather pressing this line in Washington.

Apart from specific reaction to criticism, Ayub statement reflects continuing dissatisfaction of regime with what they consider lack of understanding by US leaders their problems and program. This point made very forcefully in *Pakistan Times* editorial today which in this case probably accurately voices Government reaction in more unrestrained manner than official statement. (Text telegraphed separately, Embtel 2804)

We judge Ayub statement drafted at least in large part by Ayub personally and in any case direct reflection his views. In Embassy view statement well-tailored to domestic needs without appearing bombastic vis-à-vis India. Release congressional testimony, and especially in censored form inviting speculation as to deleted statements, unfortunate at this time. Necessarily truncated version appearing Pakistan press (being pouched) presents US congressional leaders and decision-making process in unfortunate light and cannot help but constitute irritation subcontinent relations. Advance copy or summary of released testimony would have permitted Embassy to soften reaction somewhat and place congressional statements in context. If available fuller classified version would be useful to Embassy for background purposes and for possible use with Pakistan leaders. Testimony appearing Pakistan press leads to public conclusion congressional leaders virtually without exception opposed to military aid to Pakistan. Our information indicates this not the case and we will use every opportunity to make this point.

Measure personal affront senior Pakistan officers nature of testimony is following parting comment to me last night by Admiral A. R. Khan who had obviously been annoyed by General White's reference to Pakistan Navy. "Tommy White says we have a small but efficient navy. We too know it is small. Beyond that I cannot judge."

Testimony and Ayub reply once again raise question US concept strategic role Pakistan forces vis-à-vis Soviet threat on which we have been seeking clarification several occasions, so far unsuccessfully. (See comments on OCB Paper Embassy despatch 509, December 4, 1958.)⁵

Langley

⁵ Document 337.

359. Memorandum From the Assistant Secretary of State for Near Eastern and South Asian Affairs (Rountree) to the Under Secretary of State (Dillon)¹

Washington, July 2, 1959.

SUBJECT

Recommendations of Interagency Working Group on Future U.S. Military Assistance to Pakistan

Discussion

The State–Defense–ICA Working Group, which was set up last year on the proposal of W/MSC, and with your endorsement, to examine the problem of future U.S. military assistance to Pakistan following the fulfillment of the 1954 U.S. aid commitment, has now completed its work. This was unfortunately interrupted more than once by such unforeseen developments as the establishment of a military regime in Pakistan last October and the resulting necessity of re-evaluating conditions in that country and our relations with it. The work of the group was also protracted beyond original expectations by the recognized need for comprehensive political and economic studies as a prerequisite to reaching valid conclusions. These have, however, been completed and a basic set of recommendations formulated, which I am forwarding to you with this memorandum.

The Working Group's full report, of which these recommendations form the operative part, is in process of reproduction and assembly and will be sent to you within a few days. In view, however, of my impending departure from the Department and of my particular interest in contributing to a resolution of the problem of our future mutual security aid to Pakistan, I am taking the liberty of drawing your attention to these recommendations in advance of the completed report. They are the product of an extensive and painstaking examination of the numerous, and by no means easily reconcilable, political, military, and economic aspects of the problem. I believe that these recommendations constitute as valid a set of guidelines for our future military assistance to Pakistan as it is possible to arrive at under existing circumstances. I have found them to be consistent with existing policy guidance on Pakistan (NSC 5701), as well as with the proposed revisions to this policy currently under consideration.

¹ Source: Department of State, Central Files, 790D.5–MSP/7–1759. Secret. Drafted by McClelland on June 30. This memorandum was not formally sent to Dillon until July 21, when it was forwarded with a memorandum from Bell, Document 361, and the full report of the Interagency Working Group on Future U.S. Military Assistance to Pakistan. The full report of the Interagency Working Group is not printed; the recommendations are printed as an attachment below.

As is all too apparent, there is no ready or satisfactory solution to the problem of Pakistan's present defense burden, which is manifestly disproportionate to its economic resources and continues to place heavy yearly demands on U.S. aid. The responsibility for this situation, however, is not solely Pakistan's, but also partly ours, stemming as it does from our encouraging that country to join the Baghdad Pact and to build up its armed forces. It is also partly the result of adverse economic developments, especially in terms of trade, beyond Pakistan's direct control. Having thus assisted Pakistan to develop its defense establishment, we have no acceptable alternative, it seems to me, but to continue to provide sufficient military and Defense Support aid to protect our investment, which is considerable, not only in financial but also in strategic and foreign policy terms, in that establishment.

As the Working Group's recommendations specify, we must assuredly make every effort to moderate the future demands of Pakistan's defense establishment and to direct our aid and influence along lines designed to channel economic resources into developmental activities rather than military expenditures. Certainly, there can be no question (barring a radical change in U.S. strategic requirements in the area) of future U.S. aid being used further to build up or to expand Pakistan's armed forces; and I believe this is already clear to the Pakistan Government. Yet, because of the progressive increase in Pakistan's recurring military maintenance costs inherent in the fulfillment of the 1954 U.S. commitment, there is little prospect, at least over the next two fiscal years, of appreciably reducing the current level of U.S. aid in support of the Pakistan defense establishment.

I think it is psychologically very important that we make available to the new Pakistan Government under President Ayub proportionately the same resources in terms of U.S. aid (exclusive, of course, of the military build-up material) as we provided to prior, and less effective, Pakistan regimes. The Ayub Government, as you know, has taken energetic and promising steps in the fields of fiscal, administrative and agrarian reform, which merit our support and encouragement, particularly in this key, initial period.

We can now look forward, I also believe, with greater expectation of success than at any time in the past, to the achievement of a viable settlement of one of the most critical problems in the Southeast Asian area—that of the Indus waters. I am convinced that a settlement of this crucial issue will contribute, more than any other form of persuasion which we might bring to bear on Pakistan, to the possibility of moderating that country's defense requirements, and hopefully those of India as well. To the extent, therefore, that the U.S. can contribute to an effective Indus waters solution, we shall also be able to make progress toward reducing the burden of defense costs on Pakistan's resources

and on our own and thus shifting emphasis toward attainment of the vital goal for Pakistan of economic development and greater self-support.

Recommendation:

That you approve the attached recommendations of the Working Group on Future U.S. Military Assistance to Pakistan, and instruct U/NSC to assure that the FY 1960 MAP for Pakistan, and Department of Defense guidance for the FY 1961 program, are in accordance with those recommendations.²

Attachment

RECOMMENDATIONS OF THE INTERAGENCY WORKING GROUP ON FUTURE U.S. MILITARY ASSISTANCE TO PAKISTAN³

1. The necessary steps should be taken definitively to complete the U.S. military aid commitment to Pakistan made in the October 21, 1954, aide-mémoire. Only one major step remains: to resolve the issue of the Pakistan Air Force transport squadron.

2. As related to, but not expressly part of, the 1954 commitment, the U.S. should complete, on an austere basis, that portion of the military construction program already initiated, which is in support of the force objectives specified in the commitment, and which the Pakistan military authorities clearly expect from the U.S.

3. The U.S. should not increase the currently established MAP-supported force objectives for Pakistan. (This would assume the continued validity of the roles and missions of the Pakistan armed forces as defined in paragraph 68 of NSC 5701: "forces capable of maintaining internal security, offering limited resistance to external aggression, and of contributing to collective security by those means and by the provision of token forces for collective military operations outside Pakistan.")

4. Unless there is a marked relaxation of Indo-Pakistan and Afghan-Pakistan tensions, the U.S. should continue, beyond completion of the 1954 commitment, to extend military aid to Pakistan at the minimum level necessary to prevent the deterioration of the Pakistan military capability achieved through assistance programs under the commitment. This minimum level will include the replacement in an orderly and gradual manner, with emphasis on reducing recurring

² The source text bears no indication that Dillon formally approved the recommendations. At a meeting with Ambassador-designate Rountree on July 30, however, Dillon discussed the recommendations in this memorandum and in the report of the Working Group and indicated his concurrence with them; see Document 363.

³ Secret.

maintenance costs, of attrited and obsolete equipment. Subject to this limitation, it shall not exclude such force improvement as is consistent with military requirements, absorptive capacity, financial availabilities, and political conditions within the area. This policy would also permit release of available U.S.-owned or -controlled local currency to the military budget that may be considered advantageous by the Country Team.

5. As long as Indo-Pakistan and Afghan-Pakistan tensions persist—and in recognition of Pakistan's need for security forces in East Pakistan, the tribal areas of West Pakistan, and in Kashmir—the U.S. should not press for the reduction of Pakistan's non-MAP-supported armed forces. However, U.S. representatives should energetically, and to the maximum extent politically feasible, impress upon the Government of Pakistan the importance for Pakistan's economic future of moderating the increasingly heavy demands of its military program on available resources.

In accordance with paragraph 70.d of NSC 5701, the U.S. should also attempt to reduce the support costs of the Pakistan military establishment by exerting its influence for a more efficient organization of Pakistan's armed forces, an improved logistical system, and more austere standards of construction and support.

6. In order to try to insure that U.S. assumption of certain foreign exchange costs of maintaining Pakistan's MAP-supported forces does not simply result in the GOP devoting more of its own foreign exchange resources to the further build up of these or its non-MAP forces, the U.S., utilizing the annual budgetary review as a technique for influencing the Government of Pakistan along the lines of the foregoing recommendation, should seek an understanding regarding the proposed level of total Pakistan defense expenditure (rupees and foreign exchange for both MAP and non-MAP forces) as related to the projected level of total U.S. assistance for a given budget period. Since it would be tactically advantageous to negotiate this understanding as early in the MAP cycle as possible, appropriate instructions should be included in the FY 1961 programing guidance.

7. While exerting influence on the Government of Pakistan to minimize its foreign exchange expenditures for defense purposes, it must be recognized that there will be a continuing requirement for national military matériel and support expenditures not covered by the Military Assistance Program. The use by Pakistan of its limited foreign exchange resources for such purposes will reduce net availabilities for consumption and economic development imports. This fact must be taken into account in planning future U.S. military and economic aid programs.

8. There is a direct relationship between economic growth and the political stability of the present pro-Western regime in Pakistan. While maintaining defense capability not higher than the level recommended in paragraph (4), it is essential that achievement of self-generating economic growth be encouraged. Serious study and consideration must be given to those self-help actions which Pakistan must take, as well as to the provision of economic development aid from U.S. and other sources which will contribute to the objective.

9. Because of their close relationship to a resolution of the onerous problem of Pakistan's continuing U.S. aid requirements for defense and economic growth, the U.S. should take every possible action to reduce existing tensions between Pakistan and India and Pakistan and Afghanistan. With respect to Indo-Pakistan relations, this will include assistance, above all toward a settlement of the Indus waters problem, but also of the Kashmir dispute and of other outstanding differences. In regard to Afghan-Pakistan relations, the U.S. should continue its efforts to alleviate tensions between the two countries over the Push-tunistan issue and to link them by closer cultural and economic ties.

10. Recognizing that the reduction of tensions and arms limitation are interrelated and interacting factors, the U.S. should actively seek to persuade India and Pakistan to accept a limitation of their military capabilities to present levels (except for modernization resulting from replacement).

This initiative should be undertaken in the following successive stages, each stage to be implemented in the light of the prevailing situation and an evaluation as to the most propitious timing:

(a) Unilateral acceptance by both India and Pakistan, in response to U.S. representations, of the principle of limiting further expansion of military capabilities. Each country would then be informed of the action of the other so as to achieve a *de facto* limitation without need for a formal agreement.

(b) If tensions are sufficiently reduced as a result of this *de facto* arms limitation and of the solution of one or more of their outstanding disputes, a more formal arms limitation agreement between India and Pakistan should be sought by the U.S.

(c) Ultimately, when friendly relations are more firmly cemented, the U.S. should explore with the Governments of India and Pakistan whether a redeployment of their armed forces could result in a net reduction of their military establishments without sacrificing the ability of these countries to resist Communist aggression and maintain internal security.

360. Memorandum of a Conversation, Washington, July 17, 1959¹

Memorandum of Conversation between the Honorable Aziz Ahmed, Pakistan Ambassador to the United States, and the Secretary of Defense; also present were Mr. Robert H. Knight, Deputy Assistant Secretary of Defense (ISA) and Rear Admiral E.B. Grantham, Jr., USN, Director NESAs, OASD/ISA.

After the usual exchange of amenities during which Mr. McElroy suggested that the Ambassador and the Begum might wish to visit Cincinnati at some future date with the McElroys, a general discussion of the political-military situation in Pakistan took place.

The Ambassador stated that President Ayub was gravely concerned over the development in the United States of a considerable body of opinion among some influential circles of the intelligentsia, some legislators, and to some degree the general public that Pakistan is supporting armed forces in excess of her needs at the expense of sorely needed economic development. The Ambassador went on to say that while his government and the better-informed Pakistani understood the motivation behind this position in some degree, it was nevertheless not understood by the ordinary Pakistani. He further stated that with the Indian Army maintaining a strength much greater than that of Pakistan and so disposed as to be able to mount an offensive against Pakistan in an estimated period of 10 days, it would be almost impossible to convince those Pakistanis living near the Indian border that any reduction in the strength of the Pakistan Army was a reasonable course of action. He said that it was even probable that if the Pakistan border garrisons were reduced significantly, there might develop a sudden flight of Pakistanis from the border area which could develop into panic proportions.

In this connection, the Ambassador pointed out that Pakistan had not received from the United States, either privately or publicly, any assurances guaranteeing her territorial integrity. He found this in sharp contrast to public guarantees to this effect given to India.

The Ambassador dwelt at considerable length upon the fact that it is very difficult for the ordinary Pakistani to understand why the Press of the United States reflects opinions highly critical of Pakistan's efforts to achieve a reasonable degree of security against aggression while at the same time recording opinion that the way to Free World security in Asia lies in promoting the welfare of India through the granting of massive economic aid. He pointed out that the economic

¹ Source: Department of State, SOA Files: Lot 64 D 1, United States. Secret. Drafted by Admiral Grantham.

aid currently furnished to India gives her the capability of diverting large amounts of money for the support and buildup of armed forces already vastly superior to those of Pakistan.

Throughout his conversation the Ambassador reaffirmed the staunchness of his country's support of the Western concept of collective security and the earnest desire of his government to reach a fundamental agreement with India which would permit them jointly to channel their military energies toward facing the common enemy to the North.

Just prior to departure, the Ambassador expressed the desire to further pursue the objectives of his conversation in whatever way he could usefully do so and said that he would await any advice Mr. McElroy might see fit to give him.

Mr. McElroy expressed an understanding of Pakistan's problem and pointed out that the earnest hope of the United States was that a rapprochement between Pakistan and India could be achieved since it is a matter of such great importance to the Free World. He further expressed the hope that a solution to the Indus waters dispute would be forthcoming in the near future as a concrete and very important step toward such a rapprochement.

During the course of the conversation, the Secretary explained the general character of press reporting and the probable motivation for some statements made by legislators and other prominent personages. He recognized that some of these reports and statements might be of a character to give the Pakistan Government cause for concern. The Ambassador indicated that he understood the situation but was anxious to dispel any cause for misunderstanding.

Mr. McElroy stated that the strength of the armed forces of Pakistan, which we consider necessary for the collective security of the Free World, is a matter requiring the judgment of military experts. He indicated that he would bring this matter to the attention of General Twining upon his return to duty on Monday, 20 July, and that after consultation with General Twining he would decide whether it might be useful to have a re-assessment made of the military needs of Pakistan through negotiations between United States and Pakistan military experts.

Mr. McElroy explained that he thought a firm understanding should be had on all sides as to what the position is with regard to the strength of Pakistan's armed forces. He recognized the possibility that

any joint Pakistan-United States consideration of this question might not result in complete agreement but he thought it important that the exact position of each side be well understood.

E.B. Grantham, Jr.²
Rear Admiral, USN
Director
Near East, South Asia and Africa Region

Attachment

*Addendum to Memorandum of Conversation between Secretary McElroy
and Ambassador Ahmed of Pakistan, 17 July 1959*³

Ambassador Ahmed gave an extensive and detailed assessment of Pakistan relations with the Nehru Government. The central point of his discourse on this subject was that Nehru harbors a personal animosity toward Pakistan because he regards the Pakistan alignment with the West as the principal cause of his failure to achieve leadership of a large neutral Asian Bloc.

He further expressed the view that Nehru appeared to remain unreconciled to the fact that Pakistan will continue permanently separated from India as a sovereign state. He felt that, given this state of mind on the part of Nehru, achievement of the political agreement necessary for effective Pakistan-India coordinated defense against the common Communist menace would be most difficult.

² Printed from a copy that bears this typed signature.

³ Secret.

361. Memorandum From the Under Secretary of State for Mutual Security Coordination's Special Assistant (Bell) to the Acting Secretary of State¹

Washington, July 21, 1959.

SUBJECT

Recommendations of Interagency Working Group on Future U.S. Military Assistance to Pakistan²

Mr. Rountree's memorandum of July 2, to which this memorandum is attached, setting forth the recommendations of the interagency working group on future U.S. military assistance to Pakistan is a thoughtful and a useful memorandum which warrants your close attention and consideration.

While I personally believe the recommendations which you are asked to approve to be rational and necessary ones, there are two considerations which I think you should take into account in this connection.

The first of these is fiscal. Our review and analysis of this report and of the Country Team's reports regarding the future military assistance programs strongly suggest that the policy recommendations contained in the working group report are likely to require larger outlays of aid funds in the future than simply the maintenance of the going level. The military program, according to the Country Team, envisages a steady increase in Pak defense expenditures which may amount to as much as \$10 million a year over the next several years. Given the stringency of appropriations, and the fact that our defense support program for Pakistan has been kept to a minimum level consistent with the prevention of retrogression, any increase in defense expenditures will be matched by demands for additional defense support assistance.

The attitude of Congress toward defense support appropriations in general, and toward Pakistan in particular, at this time, makes it unrealistic to envisage being able to meet increased defense support requirements for Pakistan which may flow from the policy of the recommendations, without also envisaging a resort to contingency

¹ Source: Department of State, Central Files, 790D.5–MSP/7–2159. Secret.

² The Report of the Interagency Working Group on Pakistan, which is attached to this memorandum, is not printed; for its recommendations, see the attachment to Document 359.

funds. Thus, in approving the recommendations of Mr. Rountree you should understand that there is a strong implication of being willing to respond to the inevitable results of that policy.

I am not saying the foregoing suggests that the policy recommendations are wrong or that they do not deserve approval. I think, in fact, that this policy is a less expensive one than the continuation of the past policy, or the continuation of the policy vacuum.

The second consideration which warrants attention is the question of the extent to which military assistance to Pakistan is based on a military justification. It seems clear to me that there is a political justification and basis for military aid to Pakistan and that fact may make the pursuit of the question somewhat academic. The exchanges with Defense which took place during the course of the working group study indicate a willingness on the part of Defense to assert a military basis; perhaps it is irrelevant and irreverent to express a strong doubt as to the validity of this argument. Some of my staff feel it would be worthwhile to require a more explicit consideration of this point by the working group. I am persuaded this would not be a profitable expenditure of staff time. Nevertheless, if and when the political basis for maintaining present force levels ceases to exist, we will have to face the question. The degree to which the Defense people have now adopted the Pak military program as "military", bearing in mind its clear political origin, does suggest that the longer the issue is postponed, the more difficult it may be to get an objective judgment. You may therefore feel it worthwhile to have the issue pursued now.

In balance, my recommendation is that you approve the paper.

362. Telegram From the Embassy in Pakistan to the Department of State¹

Karachi, July 21, 1959—5 p.m.

177. For Jones from Langley. Re your 158,² adverse political effect of Ganges-Kobadak cumulative over many months and final act of rather abrupt termination by ICA of US participation will not seriously add to the already existing adverse impression. Shoaib has apparently

¹ Source: Department of State, Central Files, 890D.211/7-2159. Confidential; Limited Distribution.

² In telegram 158, July 17, Lewis Jones requested the Ambassador's personal assessment of the possible reactions of Ayub and other key Pakistanis to the abandonment of the Ganges-Kobadak project. (*Ibid.*, 890D.211/7-1759)

accepted Killen's decision. However, both he and Ayub will expect the US allocations for defense support and general economic aid to Pakistan to reflect Pakistani burden of Ganges–Kobadak.

Certainly we should not reopen issue. In no case should we involve ourselves in any additional surveys. We should get the pumps and any other committed items into Pakistani hands and close out our connection with project. So long as present regime is in power, controlled press will not attack US decision terminate project unless US economic aid should be sharply reduced.

While US vulnerable attack by East Pakistanis for preponderance US aid in West Pakistan, present regime will suppress any public criticism since US program largely follows government's own development path.

Accordingly, I recommend we let decision stand but recognize that burden of Ganges–Kobadak likely to figure in future Pakistani requests for aid.³

Langley

³ In telegram 219 to Karachi, July 24, the Department indicated that it concurred with the Ambassador's recommendations that the Ganges–Kobadak issue should not be reopened. (*Ibid.*, 890D.211/7–2159)

363. Memorandum of a Conversation, Department of State, Washington, July 30, 1959¹

SUBJECT

The Acting Secretary's Briefing of Ambassador Rountree Prior to the Latter's Departure for Karachi

PARTICIPANTS

Department

The Acting Secretary, Mr. Dillon
Ambassador William M. Rountree
U/MSC—Mr. John O. Bell
E—Mr. Thomas C. Mann
NEA—Mr. G. Lewis Jones
NEA—Mr. Donald D. Kennedy
SOA—Mr. Frederic P. Bartlett

¹ Source: Department of State, Central Files, 790D.5–MSP/7–3059. Secret. Drafted by Bartlett. Assistant Secretary Jones briefed Dillon for this meeting in a memorandum of July 30. (*Ibid.*, 790D.5–MSP/7–3059) Jones replaced Rountree as Assistant Secretary for Near Eastern and South Asian Affairs on July 10. Rountree was appointed Ambassador to Pakistan on June 18; he presented his credentials on August 17.

Defense

Mr. Robert H. Knight, Deputy Assistant Secretary, International Security Affairs
 Mr. William M. Leffingwell, Special Assistant to the Assistant Secretary for
 Military Assistance Program
 Colonel E. V. Sutherland, Assistant for South Asia, Near East, and Africa Region

ICA

Mr. James W. Riddleberger, Director
 Mr. Albert E. Farwell, Chief, Near East and South Asia Program Staff

Mr. Rountree opened the meeting by indicating that the most important and immediate problem he would be faced with in his discussions with President Ayub and others upon his arrival in Karachi would be that of American military aid to Pakistan. Mr. Dillon said he realized this and that he had read not only the recent recommendations on this subject of the (State-Defense-ICA) Working Group on future U.S. Military Assistance to Pakistan, but the entire "book" which the group had prepared.² In the first place, we should bear in mind that our aid funds were not unlimited, although perhaps we might get more next year. Mr. Dillon believed that Mr. Rountree could help, when he got to Pakistan, however, by developing a sound rationale to justify Pakistan's needs for military equipment. This could then form the basis for our next year's presentation of Pakistan's case to Congress. He noted that present Congressional criticism of military aid to underdeveloped countries tended to center around Pakistan, but actually affected Congressional attitudes toward military aid programs for other underdeveloped economies. Work on the suggested rationale should, Mr. Dillon recommended, be a major effort of the Embassy in Karachi.

In Mr. Dillon's opinion, our military aid program for Pakistan was primarily political in character with one important exception, i.e., it had been in the past and could be militarily helpful to us in the future [*less than 1 line of source text not declassified*]. Thus, although one could not persuade the Congress that the five Pakistani divisions were directly necessary for the protection of the free world, military aid might be better supported in the Congress on the basis that we wished to retain the confidence of a friendly and effective government [*1½ lines of source text not declassified*]. A second argument sometimes advanced in the past that, since the Pakistanis were good soldiers, there should be more of them in Pakistani divisions, did not seem very valid.

[*1 paragraph (4 lines of source text) not declassified*]

Mr. Dillon then turned to the recommendations of the inter-agency Working Group which he reviewed paragraph by paragraph:

² The full report or "book" prepared by the Working Group is not printed; for the Group's recommendations, see the attachment to Document 359.

1. *Completion of 1954 Commitment*—Mr. Dillon agreed that we should certainly complete our commitments under the 1954 aide-mémoire. He understood that the light bomber squadron was being taken care of and indicated that he was in favor of giving Pakistan the transport squadron. He believed he would have less difficulty with Congress in connection with such an item than with more exclusively military ones.

Mr. Rountree expressed his appreciation and urged that provision of the transports be divorced from the 1954 aide-mémoire and be considered on its own merits since we did not wish to create another program commitment of the 1954 character. With this the Acting Secretary agreed. Mr. Knight noted that the Pakistan Air Force could go on for a while cannibalizing its Bristols and suggested that we phase in the new transport squadron in 1961 or 1962. It would be made up of C-119's. These were large but not as big as the C-130's. Mr. Bell suggested that the squadron might be funded in 1962, while Mr. Rountree argued that he believed the Pakistanis would actually need the planes in 1961 or 1962. Mr. Knight concluded that they might be phased in gradually, i.e., that it was not necessary to provide an entire squadron at one time.

Mr. Dillon then asked why an additional destroyer was needed since this would only add to Pakistan's maintenance costs. Mr. Knight noted that Pakistan already had eight British destroyers but that the title to one of these was still held by the United Kingdom and this might have caused the confusion in the total number of destroyers needed by Pakistan.

2. *Military Construction Program*—Mr. Dillon agreed that this should be completed and was happy to have Mr. Bell's assurance that it would be done with funds already provided out of fiscal year 1959 appropriations.

3. *No Increase in Current MAP-Supported Force Objectives*—Mr. Dillon stressed that we should certainly not plan for any increase in MAP-supported force objectives for Pakistan.

4. *Continuation of Military Aid to Pakistan at Minimum Level Necessary to Prevent Deterioration of Military Capability*—Mr. Dillon noted that as long as the Congress maintained its present attitudes towards military aid to Pakistan, we could not expect to obtain support forever for the present level of Pakistan forces. On the other hand, he realized that existing tensions between Pakistan and India made any attempt to secure a reduction at this time in Pakistan's military capabilities most difficult. Possibly if there were a solid Indus waters settlement and if the settlement were successfully implemented, there might be some chance of reaching in the future a formal agreement between India and Pakistan that they would both at least hold to their present levels of military strength.

Eventually, Mr. Dillon hoped that Pakistan might even be able to cut its MAP-supported divisions to perhaps three or three and a half. On the other hand, he said, Pakistan would certainly wish to maintain the present level of non-MAP-supported forces deployed in East Pakistan, Kashmir and the tribal areas for a much longer time. Instead of trying to cut these forces, we should think first of reducing eventually the MAP-supported units. Although there were some signs that Pakistan-Indian relations were improving, Mr. Rountree questioned whether we could realistically foresee any cut in MAP-supported units for at least the next two to three years. Mr. Dillon explained that what he had in mind was that paragraph 4 of the Group's recommendations was too "open-ended". We would certainly have to help maintain the existing divisions for the next two or three years, although without any build-up.

As far as Baghdad Pact force goals were concerned, a subject raised by Mr. Bell, Mr. Dillon said that we were not in any position to recognize such goals if they exceeded the present number of Pakistan divisions. This was one problem which Mr. Rountree would continue to be faced with.

5. *Moderating Demands of Pakistan's Military Program on Its Available Resources by Increased Efficiency*—Mr. Dillon had expressed earlier his belief that we should not press for any reduction at the present time in Pakistan's non-MAP-supported armed forces. As for increasing the efficiency of the military organization's logistical system, etc., this, Mr. Dillon said, was, of course, highly commendable.

At this point Mr. Rountree said that he wished for the record to express his personal opinion that India in a large measure was maintaining its present forces as a deterrent to Red China rather than only as a counter to the alleged military threat from Pakistan. Mr. Dillon replied that he did not envisage even with reduced India-Pakistan tensions any substantial reduction in Indian forces, but rather a drastic redeployment of them.

6. *Annual Budget Review*—Mr. Dillon's comment on this item was "Very much yes!" He thought it an excellent idea and was happy when Mr. Bell explained that the procedure was already in effect.

7. *Use by Pakistan of Its Own Limited Foreign Exchange Resources to Support Military Expenditures Not Covered by the MAP Necessarily Reduces Net Availabilities for Economic Development*—This was, Mr. Dillon noted, unfortunately correct.

8. *Study of Self-Help Actions Which Pakistan Must Take Toward Achieving Self-Generating Economic Growth*—Mr. Dillon agreed with this recommendation but noted that it could not be done too quickly. Although the IBRD in a recent report had noted that agriculture in Pakistan was very lightly taxed, Mr. Dillon said that the Pakistan

Finance Minister had emphasized that the Pakistan Government could not undertake any drastic tax reforms until the people had adjusted themselves to the recently imposed, substantial land reform program.

9. *Reduction in Existing Pakistan-Afghanistan Tensions*—Mr. Dillon completely agreed with this as an objective for United States action.

10. *Time Table for Persuading India and Pakistan to Accept an Arms Limitation*—Mr. Dillon agreed that we should consider a more formal type of arms limitations agreement "as soon as possible". In the case of India we would also like to see an eventual redeployment of its forces, just as mentioned earlier an eventual possible reduction in MAP-supported Pakistan units.

While Mr. Dillon was absent from the room, Mr. Knight noted that Secretary McElroy felt quite strongly that this was not the time to cut non-MAP-supported units. He himself, also, did not believe that we were yet at the stage where we could put Pakistan into the M-14 rifle manufacturing business. It would really be better if we could persuade Pakistan to accept M-1's of which many were available. He asked Mr. Bell whether the Wah ordnance depot, which the Pakistanis wish to use for manufacture of the M-14's, could not be used instead for civilian production. Mr. Bell replied that it would be difficult because of the lack of trained people, raw materials and a market. Just producing goods for local consumption would probably not reduce import requirements appreciably but would rather be additive, thus increasing the drain on Pakistan's foreign exchange for the purchase of raw materials. Reverting to M-14's, Colonel Sutherland explained that the Department of Defense had recently asked the Department of the Army to review the situation and to present recommendations. Mr. Rountree noted that the Department also was asking Karachi for a country team evaluation of the project.

Other points discussed while Mr. Dillon was present were:

1. *DLF Program*—Mr. Dillon suggested the desirability of developing a major Pakistan DLF program. In the past we had tended to concentrate this program on agriculture (tube wells, the power to run them, etc.). Perhaps now we should encourage a DLF program which would look to ways to promote industries which in turn might reduce import requirements or even provide export items. As long as we had P.L. 480 wheat to sell, agricultural development alone would not save foreign exchange for Pakistan. One reason why Mr. Dillon felt hopeful that such a new DLF program for Pakistan could be effectively developed was because of the competency and attitudes of the USOM staff in Karachi. Mr. Rountree said that he had had this in his own mind.

2. *Talking Paper on Military Aid to Pakistan*—Mr. Rountree read aloud the attached talking paper for his discussions on the above subject with Government of Pakistan officials. Mr. Knight's reaction was that as long as Congress maintained its present attitudes towards

military aid to underdeveloped countries, the "modernization" emphasis in the talking paper should be handled very carefully. Mr. Dillon agreed, noting for instance that he did not see much chance for our modernizing the Pakistan Air Force with F-104's at the present time. Mr. Knight said that perhaps the talking paper could be reworded to stress the aspect of "maintaining" current capabilities rather than "modernizing" them. Mr. Dillon suggested that Mr. Rountree might himself refrain from raising the modernization issue. This would permit him to handle it, if raised by Pakistan officials, on a case by case basis. Mr. Knight agreed, noting that General Lemnitzer had indicated that first things should come first in modernization and had put on the top of his list better communications.

3. *Defense Support for Fiscal Year 1960*—Mr. Riddleberger noted that there was a prospect of \$80 million in defense support for Pakistan from fiscal year 1960 funds. Mr. Dillon agreed, adding that it might be possible to squeeze out a bit more toward the end of the fiscal year. Mr. Rountree urged that in any event defense support not be cut below \$80 million which had been the original, base figure for fiscal year 1959. He wondered when we might be able to talk to the Pakistan Government on defense support availabilities. Mr. Dillon replied that it should be a week or so after the Mutual Security appropriation legislation was signed. Mr. Bell noted, however, that we would have to make an almost immediate partial release of \$10 million in defense support because of Pakistan's import licensing schedule. He did not believe that we could hold up this action, however, until Ambassador Rountree should arrive in Karachi. To this Mr. Rountree agreed.

4. *Economic Development Study*—Mr. Mann asked if the E area could help in the new study suggested by Mr. Dillon. Mr. Dillon replied that he appreciated the offer, but in the first instance he believed that it would be best to leave it up to the Embassy and the USOM mission in Karachi to make preliminary recommendations.

Attachment

July 29, 1959.

TALKING PAPER FOR DISCUSSIONS WITH GOVERNMENT OF PAKISTAN OFFICIALS REGARDING MILITARY AID³

1. The U.S. intends to continue to furnish military and economic aid to Pakistan in accordance with our capabilities and world-wide commitments. In doing so, however, we feel certain that the GOP will

³ Secret.

wish to keep under constant review the question of achieving a proper balance between resources allocated to military purposes and those allocated to economic development.

2. The near fulfillment of our commitment under the 1954 aide-mémoire presents an opportunity both for Pakistan and the U.S. to review the military aid program so as to make it more consistent with the political and economic objectives shared by Pakistan and the U.S. This does not mean that we underestimate the importance of maintaining an adequate military establishment in Pakistan for purposes of internal security and defense against aggression. In recognition of the need to maintain the excellence of the military units in Pakistan which we now support, it is our intention to continue to provide military assistance to Pakistan which will logically include some modernization of equipment. This, however, should proceed in an orderly and gradual manner as a result of natural attrition and take into account absorptive capacity as well as financial limitations.

364. Memorandum of a Conversation Between the Acting Secretary of State and the Pakistani Ambassador (Ahmed), Department of State, Washington, July 31, 1959¹

SUBJECT

Pakistan's Reactions to Recent Congressional Criticisms of that Country

The Acting Secretary opened the discussion, which had been arranged at the request of the Pakistan Ambassador, by stating that he had just come from the White House where he had listened to the report of the nine Governors who had recently returned from the Soviet Union. The Governors had been impressed, Mr. Dillon said, by the reservoir of good will for the American people which they found to exist among the people of the Soviet Union. The Governors cited as an example their surprise visit to a provincial sports palace inside which they found fifteen hundred people wrestling to music, presumably a massive physical culture class. When the Governors' presence was announced, all fifteen hundred plus the audience stood up and roundly applauded their distinguished visitors.

¹ Source; Department of State, Central Files, 790D.5-MSP/7-3159. Secret. Drafted by Bartlett.

The Pakistan Ambassador said that he felt that the Vice President had handled his trip most admirably.² He then turned the discussion to what he said seemed to be a serious trend in Washington thinking, both inside and outside of the Congress, in connection with military aid to Pakistan. This trend, he said, seemed to be based upon four premises which were not sound. He had discussed these with Assistant Secretary Jones a week before but would like to take this opportunity to review them personally with the Acting Secretary. The Government of Pakistan shared these views.

1. *That the military threat of communism to the Asian area was receding and that the principal threat was now economic.* Certainly, the Ambassador said, this trend of thinking was not justified by recent events in Iraq, Iran, Afghanistan and Tibet. He believed that actually the military threat to free Asia was even more grave than the threat to peace over West Berlin. In his opinion, the dramatic suddenness with which the Berlin crisis had been generated by the U.S.S.R. was explained by the Soviet Union's desire to detract world attention from the Bloc's intriguing in the Middle East and Red China's brutally repressive measures in Tibet. One reason why the Middle East was so important for the Soviets was that it was a natural "jumping off point" for Africa. The free world should certainly not lower its guard. Indeed, if anything, it needed to put more arms and aid into the hands of those willing to use them to defend the free world.

2. *That to save Asia the United States must give massive aid to India and show that democracy can "deliver the goods" as well as communism can.* This unsound trend, according to Ambassador Ahmed, has been endorsed by both Mr. Adlai Stevenson and Mr. Averall Harriman, to say nothing of Congressman Bowles. The Pakistan Ambassador continued that his country was not opposed to aid to India. Indeed, for their own security and that of the subcontinent both India and Pakistan should be strengthened economically. It was oversimplifying the issues involved, however, to believe that economic aid alone would encourage the growth of democracy. Look at all the aid the United States had been giving for many years to South America, he stressed, and still many South American countries are being governed by dictators. In his belief, aid to each country should be given according to that country's particular needs. Although the Senate Foreign Relations Committee had taken a step in the right direction in enlarging the scope of the so-called "Kennedy-Cooper resolution"³ on aid to India

² Reference is to Nixon's trip to the Soviet Union, July 23-August 5.

³ On February 19, Senators John F. Kennedy (D.-Mass.) and John Sherman Cooper (R.-Ky.) introduced a resolution which called for President Eisenhower to explore with other free nations the advisability of establishing an international mission to consult with India on its economic problems. The Senate Foreign Relations Committee expanded the Kennedy-Cooper resolution to include Pakistan, Burma, Afghanistan, Ne-

to embrace all of South Asia, the Pakistan Ambassador had been perturbed to see the Vice President speaking at a recently held conference in Washington which had been organized under private auspices to promote aid to India alone. During the Ambassador's comments on the "Kennedy–Cooper resolution", the Acting Secretary interjected the explanation that it was the Department which had initiated action to have the resolution enlarged to embrace all of South Asia and not just India.

3. *That United States military aid to Pakistan has been the cause of Indo-Pakistan tensions and has in turn encouraged the Indian military build-up.* The facts of history simply do not support this line of reasoning, said Ambassador Ahmed. Indo-Pakistan tensions have been in existence ever since the two countries obtained their independence and long before there was any discussion of military aid to Pakistan. These tensions have centered principally around Kashmir and the division of the Indus waters. These disputes cannot be resolved simply by ignoring them. Their existence should be reflected in Congressional reactions. In discussing aid to Pakistan for instance, the House Foreign Affairs Committee should consider not only Pakistan's relations to Soviet bloc countries, but also problems which it faces in relation to other non-communist countries such as India.

4. *That Pakistan was maintaining military forces in excess of its military needs.* Secretary McElroy and General White were not correct in their testimony before Congress.⁴ Whereas it was true that the primary threat to Pakistan was from the north, Pakistan could not ignore the threat from the south, that is to say from India. Ambassador Ahmed said he realized that the United States Government had given assurances to his government regarding possible aggression against Pakistan by India. These assurances, the Ambassador said, had, however, not been made public and did not go as far as comparable assurances to India had gone. If the Government of Pakistan, the Ambassador continued, could be given categorical assurances that the United States would not tolerate any aggression by India against it, perhaps this would have a sobering effect on Indian military circles. If so, the Ambassador said, Pakistan might then itself be able to take a different view of its own military needs. He stressed that eighty per cent of India's military forces were on the Pakistan border and that India could move into Pakistan on ten days' notice. It was not true to allege, he continued, that the Indian forces were on the border simply

pal, and Ceylon on July 28. (S. Rept. 594) On September 11, the resolution, Senate Concurrent Resolution 11, was adopted by a voice vote and referred to the House Foreign Affairs Committee on September 12.

⁴ See Document 358.

because that is where the cantonments had been located in pre-partition days because there were many more troops presently in that area than the old cantonments would have accommodated.

When he had recently talked with Secretary McElroy,⁵ Ambassador Ahmed explained, the Secretary had thought that perhaps it might be desirable if a joint team of technical military experts could study objectively Pakistan's military needs. Such a team might be made up, the Ambassador said, of the three Pakistan Commanders in Chief and their opposite numbers here. If the study were made in Washington, the Ambassador and some representative from the Department of State might also be represented at the talks. Pakistan, the Ambassador concluded, does not want the United States to waste its money but it was only fair to try to stop trends in thinking and talking in Washington which were both unjust and unjustified.

In reply Mr. Dillon said that there was reason to be concerned at the threat from the north. It was only several years ago that the Soviet economic offensive started and it was still apparently gathering momentum, with always more technicians and more investments being committed in the key countries from the Russians' point of view. Informed public opinion in the United States was well aware that the United States Government had to provide more funds to counter the Soviet offensive, but at the same time uninformed public opinion was pushing for a reduction in total aid appropriations. As far as Congress was concerned, it was, therefore, more or less inevitable that an attempt should be made to compromise these two opposing forces.

The more "liberal thinkers", as they called themselves, had convinced themselves, the Acting Secretary said, that since there were no new funds in sight for both economic and military aid, our military aid programs were generally too large. Thus, by reducing our military programs they hoped to find funds for expanding the economic programs without increasing the total Mutual Security Program as a whole. The line of reasoning adopted by the "liberal" group in the Congress had been strengthened by the historical fact that initially military aid had been designed for the purpose of building up forces to oppose outright Soviet military aggression. Since the danger of outright military aggression seemed to have diminished in recent years, this group had now, continued the Acting Secretary, jumped to the conclusion that the free world did not need military programs as much as it did before. It was in order to take an objective view of the relationship between the military and economic programs that the Draper Committee was appointed.

⁵ See Document 360.

The Administration thus faced a difficult position because of the alliance of the "liberal thinkers" and those who wanted to curtail foreign aid of all kinds. Actually, the solution was larger appropriations for economic aid rather than cutting down military aid. This would depend over the years on the success of educating public opinion. Just as West Berlin, however, had taken heart because it knew that NATO was behind it, so there was no lack of friendship in the United States for Pakistan nor any lack of realization of what Pakistan stood for as our ally. Yet, whenever military aid cuts, either through reducing the total cost of the Mutual Security Program or through a diversion from military to economic aid, were considered by the Congress, the question of Pakistan immediately came to the fore. This was because it was very hard to argue that any substantial cuts in military aid were possible in the case of Korea and Nationalist China or even of Vietnam, in all of which there was always the possibility in the background of an actual military flare up. Thus, Pakistan was left as the only country which could provide a target for possible cuts in military aid. He was certain, the Acting Secretary said, that if there were a clear vote on the question of U.S. friendship and support for Pakistan, the Ambassador would find very strong support for Pakistan in the Congress.

As for Indo-Pakistan relations, it was essential that friendly governments help both countries for if either failed in their minimum economic aspirations, it would have a bad effect on the other. Some people who appeared to be particularly friendly towards India seemed not to want to realize the existence of this close relationship between Pakistan and India and in the first instance to concentrate aid to India, but the Acting Secretary advised the Pakistan Ambassador to look at what had actually happened in connection with the Kennedy–Cooper resolution and the excellent showing of Pakistan in connection with the Development Loan Fund program. Mr. Dillon believed that on a per capita basis Pakistan had received two or three times more assistance from DLF than had India. Indeed, the Pakistan DLF program was one of the very best of all the country programs.

As far as military forces were concerned, the Acting Secretary noted that the United States Government fully realized that Pakistan could not reduce its non-MAP-supported elements. He believed it would be helpful, however, to review jointly on an annual basis Pakistan's total military costs since the effect of those expenditures impinged generally on Pakistan's economic progress. He believed that some of those who had testified before the Congress misunderstood that it was not only the Soviet bloc threat which had to be taken into account, but also questions of internal security and policing. Indeed,

Mr. Dillon had the feeling that the Indians were no longer talking so much about the alleged "threat" of Pakistan as they had previously in justifying their own military development.

In short, the Acting Secretary assured Ambassador Ahmed Pakistan had nothing to fear as far as the United States Government or the Department was concerned. There had not been and there would not be any slackening on the part of the United States Government or the American people in their friendship for Pakistan or their understanding of its problems.

365. Editorial Note

At the 416th meeting of the National Security Council on August 6, the Council discussed a new draft statement of policy on South Asia, NSC 5909. One of the major areas of disagreement concerned the question of military assistance to Pakistan. A memorandum of discussion is printed as Document 4. The draft statement of policy was amended and approved by the President on August 21 as NSC 5909/1; see Document 6.

366. Telegram From the Embassy in Pakistan to the Department of State¹

Karachi, August 17, 1959—7 p.m.

422. I presented my credentials this morning to President Ayub. In conversation following ceremony, President was extremely cordial and friendly, and warmly welcomed me to Pakistan. He seemed relaxed, enjoying excellent health and in confident mood.

Our talk was in presence of Foreign Minister, Chief of Protocol and Hall.² President spoke of close relations between US and Pakistan, but alluded to misunderstandings which had arisen as result US Congressional criticism of US military aid to Pakistan as well as American aid to India.

¹ Source: Department of State, Central Files, 611.90D/8-1759. Confidential.

² William O. Hall, Counselor of the Embassy in Karachi.

Ayub said he personally and Pakistani officials generally understood that statements made by individual Senators and Congressmen did not necessarily reflect US attitude and policy toward Pakistan. Nevertheless, this was not universally true in Pakistan and there had thus been in turn a public reaction critical of American policy and questioning benefits to Pakistan of being close ally of US in light fact neutral countries receive equal or more help. He himself had felt compelled to respond to Congressional criticism and had not been reluctant to do this since he thought frank statements by him in rebuttal might be useful to US administration in its efforts, which he deeply appreciated, to put Pakistan programs in proper perspective.

Regarding aid to India, Ayub said he could not criticize US for extending help to India since this was for US alone to decide. Moreover he thought he understood motives of our aid program in India and our belief that assistance to India was only way in which Communist takeover in that country could be prevented. He said many Pakistanis, however, could not understand why US could not in context massive aid insist that India be reasonable in its attitude concerning disputes with its neighbors. In this connection he was very much encouraged by developments concerning Indus Waters dispute, and expressed appreciation to IBRD and US for their roles in matter which now seemed promising of solution.

The President's remarks provided me excellent opportunity review generally state of US–Pakistan relations and explain Congressional procedures which inevitably and properly provide opportunity for full review and criticism of US policies and programs in one country or another. The President seemed impressed with my assurances concerning attitude of US toward Pakistan, US desire to strengthen Pakistan economy and our understanding of Pakistani security problems which brought about initiation and continuation of aid for military purposes. This latter form of aid, however, was the most difficult to justify to those believing that highest priority should be given economic problems. I reviewed various elements of US assistance to Pakistan, emphasizing magnitudes in each field. I pointed out that in development fields we had already extended over 100 million in Development Loan [Fund] funds, and DLF was actively considering other applications by GOP. It seemed to be that problems now were related not only to magnitude of aid but importantly to implementation of approved projects and the absorptive capacity of Pakistani administration and economy in connection with development assistance. I earnestly hoped, therefore, that in the period ahead every effort will be made by GOP, in connection with which we would extend all possible help, to carry through with approved projects.

Regarding aid to India, I again explained factors involved in our policy and emphasized again importance to Pakistan, to area and to free world of an economically stable India.

The President seemed to understand and appreciate my comments on these matters. His attitude throughout seemed constructive. He sucked up my remarks concerning utilization of authorized funds and outlined various steps which he had taken and intends to take which would place greater emphasis upon and efficiency in the actual execution of development works.

At conclusion of meeting, Ayub said he wished to emphasize that I was Ambassador to a friendly country and that he and his colleagues wished to extend to me every assistance in discharging my responsibilities. He hoped for frequent meetings.

Rountree

367. Telegram From the Embassy in Pakistan to the Department of State¹

Karachi, September 16, 1959—11 a.m.

662. Chief of MAAG, General Walter, and I accompanied Deputy Assistant Secretary of Defense Shuff² when he called evening September 14 on President Ayub. Also present were senior Pakistani military advisors. Main discussion related to several military aid matters which will be reported separately.

President received Shuff, whom he had met in Washington, with warm cordiality, and hour and half conversation was held in very informal and relaxed atmosphere. Several aspects of military program were of particular concern to him and he evinced considerable knowledge upon questions relating to program. He spoke frequently of mutual interests between Pakistan and US. Nevertheless, it was quite clear in this conversation as in others which Ambassador Langley and I have had with President that he is deeply concerned at what he fears might be evolving change in US policy on military aid to Pakistan.

¹ Source: Department of State, Central files, 790D.5-MSP/9-1659. Confidential. Repeated to Lahore, Dacca, and Peshawar.

² Shuff was in Pakistan for a brief visit as part of a trip to Europe, the Middle East, and Asia to survey problems of the Mutual Assistance Program.

President's fears arise largely from criticism by Senators and Congressmen during course Mutual Security hearings. He emphasized this criticism was based upon failure on part of these influential Americans to recognize stakes involved in having abroad reliable friends with capacity to defend themselves and to contribute to collective security. If people of Pakistan should lose confidence that US would continue to recognize their needs, including needs in security field, course of events here would be unpredictable. He said Pakistan was now virtually surrounded by "enemies". If US should fail provide adequate support, feeling of exposure would grow and would inevitably affect strength of alliance. Many people already felt that Pakistan should endeavor follow policies less hostile to Communist bloc countries. President did not doubt sincerity of Executive branch or its understanding of Pakistan's needs, and this was true concerning many representatives in Congress. However, he had impression that those opposed to Pakistan military aid program were more articulate and outspoken than its defenders.

President said talk that Pakistan had too many forces was ridiculous. US aid had resulted in only negligible addition to total numbers. Even disregarding Pakistan's obligations under collective security arrangements, it had too few, not too many. However, situation today such that it obviously was in US interest to have well-trained and equipped local forces about the world who were willing to contribute to collective defense. He cited Laos as case in point and recalled that Pakistan had often expressed its willingness to maintain with US support additional forces which could participate in collective action which might be required on part of free world. Congressional leaders should understand far better than they apparently did that it was much less expensive and politically more palatable to have friendly forces abroad than to feel compelled send US forces to meet requirements for local hostilities as they arose.

In essence, what President said was this: US had strong and loyal ally in Pakistan, and situation would remain thus as long as Pakistan people would be confident that their policies of alliance with West were appreciated and that West (US) would continue to recognize Pakistan's needs including defense needs. Pakistan's position should not be taken for granted. US should undertake even greater efforts to educate critics of program as to facts of political life and find means of assuring its friends that there will be no abrupt changes in policy which would leave them exposed.

Shuff and I responded to President along lines which have now become standard and, as it appeared in similar previous conversations, President seemed somewhat reassured. However, I have no doubt that this aspect of US-Pakistani relationship will continue to provide topic of lively conversation with President in future, particularly if Pakis-

tanis feel reasonable balance is not maintained in various facets of our aid program here in light growing dangers they see in Chinese Communist activities in area and increased Soviet pressure in Afghanistan.

Rountree

368. Telegram From the Embassy in Pakistan to the Department of State¹

Karachi, September 17, 1959—noon.

672. Paris for USRO and CINCEUR. Reference: Depcirtel 236, September 8² and Deptel 603, September 10³ regarding refined 1960 MAP.

Country Team is seriously concerned by proposed heavy cut in tanks in FY 1960 MAP for Pakistan. If this cut remains consequences will adversely affect our military and political interests in Pakistan.

1. While from technical point of view we will have virtually completed deliveries under 1954 commitment by end 1959, this does not mean force levels achieved represent combat ready units. On contrary, Pakistan Army still requires trucks, tanks and signal equipment to replace World War II material originally considered as assets. These are urgent needs if Pakistan is to have effective ground forces.

2. Even assuming restoration of tanks, 1960 program is most austere one. In spite of constant pressure from Pakistanis for such advanced items as F-104s and Sidewinders, we are holding line to minimal equipment. We are repeatedly saying "no" to many requests. We cannot go further and reduce deliveries on needed tanks without major risk re Pakistan reaction.

3. Army portion of 1959 MAP was only approved June of this year and deliveries therefore delayed. Reductions 1960 program would constitute further slippage our entire effort here in military field.

¹ Source: Department of State, Central Files, 790D.5-MSP/9-1759. Secret. Repeated to Paris.

² Circular telegram 236, sent to 30 diplomatic posts, informed the chiefs of mission that the Department of Defense had submitted for advance review by the Department of State a refined Military Assistance Program for fiscal year 1960. The cable warned: "Probable world-wide FY 60 MAP fund availability will not cover many valid high priority requirements but extremely important that total available funds be applied to produce maximum support US security objectives." (*Ibid.*, 700.5-MSP/9-859)

³ In telegram 603, the Department provided the Embassy with the tentative refined Military Assistance Program for Pakistan for fiscal year 1960. (*Ibid.*, 790D.5-MSP/9-1059)

Department also asks, in Depcirtel 236, whether reallocation MSP resources from military to non-military sector desirable. Answer is no. For variety of reasons, including important political ones, we should not attempt augment economic assistance at expense military objectives.

In conclusion, Country Team wishes emphasize austere nature MAP and fact we may desire and require Pakistan military contribution within framework our mutual collective security interests and obligations.

Rountree

369. Editorial Note

Foreign Minister Manzur Qadir visited the United States, September 19–October 16. In New York, Qadir headed the Pakistani Delegation to the Fourteenth Session of the U.N. General Assembly. While in New York, he spoke with Secretary of State Herter about the Push-tunistan dispute with Afghanistan; see Document 136. On September 28, he attended a restricted and informal session of the SEATO Council; he also headed Pakistan's delegation to the seventh Ministerial Council meeting of CENTO, held October 7–9.

Foreign Minister Qadir was in Washington, September 29–30, and again October 7–12. During his stay in Washington, Qadir held a series of conversations with U.S. officials about matters of mutual concern to the United States and Pakistan. On September 29, the Foreign Minister paid a brief courtesy call on Assistant Secretary Jones; later that day, he met with Deputy Under Secretary Henderson. Memoranda of these two conversations, drafted by Poullada and Bartlett respectively, are in Department of State, Central Files, 033.90D11/9–2959. Qadir also met with Assistant Secretary of Defense Irwin and General Lemnitzer, but memoranda of those conversations have not been found. On October 9, he called on President Eisenhower; see Document 83.

Qadir's visit to the United States also included stops in Boston, Philadelphia, San Francisco, and Madison, Wisconsin. Telegram 858 to Karachi, October 17, briefly summarized Qadir's trip. "Believe he gained new respect for US judicial, political and educational systems," the cable reads in part, "and appreciation of sincere interest in Pakistan affairs at highest levels USG." (Department of State, Central Files, 033.90D11/10–1759)

370. Airgram From the Embassy in Pakistan to the Department of State¹

G-64

Karachi, September 23, 1959.

REF

Depcirtel 149, August 19, 1959²

In accordance with the Department's circular telegram 149 August 19, I submit herein an analysis of United States objectives and the role of United States and non-United States programs in the Fiscal Year 1961 in achieving them.

General

Our objectives in Pakistan, as I understand them, are the continuance of a non-communist government willing and able to resist communist blandishments or pressures from within and without; increased association and identification with other South Asian governments and peoples, and with the Free World community; a lessening of tensions between Pakistan and its neighbors in order to improve the climate for sound political and economic progress and to strengthen the bonds of these nations with the Free World, thereby augmenting their resistance to communist penetration; a strong, stable and, if possible, a popularly-based government; an increasingly sound and developing economy; and a posture of military strength contributing to area stability and as appropriate to the defense of the Free World.

The principal elements of our United States governmental aid programs designed to help achieve these objectives in Pakistan are projects financed by the Development Loan Fund; technical cooperation; surplus agricultural commodities under PL 480; defense support aid designed to render it possible for Pakistan to maintain a reasonable level of defense forces without impairing existing levels of economic stability; and military assistance. Although the amounts provided vary greatly among the components, each is a vital element.

Also vital have been United States governmental programs other than the MSP. Our informational activities have played an important role in bringing about a better understanding of such matters as United States policies and objectives, the extent and motivations of United States aid to Pakistan, Free World positions with respect to important international questions, and the dangers of international communism.

¹ Source: Department of State, Central Files, 611.90D/9-2359. Secret. Also sent to Dacca, Lahore, and Peshawar.

² In circular telegram 149, the Department of State requested analyses of U.S. objectives and the role of U.S. programs in achieving those objectives in various countries. (*Ibid.*, 120.171/8-1959)

They have assisted materially in creating a climate in which positive accomplishments have been achieved. The Exchange of Persons Program and various educational projects, for example, have contributed and are contributing substantially toward better understanding and toward the development of knowledge and skills essential for the growth of Pakistan.

Our total programs in Pakistan would be of relatively little value and effectiveness, moreover, in the absence of the regular Foreign Service program to provide over-all political and economic guidance and direction in our relations with this country.

Adequate funds for all of these purposes are essential.

United States governmental aid has been supplemented by substantial programs being carried out by American private organizations, notably the Ford Foundation which now maintains 51 technicians and advisors in Pakistan and conducts a number of projects which suitably supplement our governmental efforts. The United Nations, the International Bank, the Colombo Plan countries, and, to a lesser extent, other nations, also contribute significantly to Pakistan's development. Nevertheless, the large bulk of assistance in this field has come, and for the foreseeable future will come, from United States governmental sources.

Pakistan could hardly have survived its early years as an independent country if it had not been for substantial American aid programs. It is, in fact, a measure of the success of those programs that despite tremendous difficulties the nation has been sustained and has maintained, indeed greatly strengthened, its orientation toward the Free World. Pakistan is a staunch member of collective security alliances against international communism, and its policies have been highly favorable to the United States. Despite frequently heard criticism of United States military assistance to Pakistan, the existence in this country of an efficient military force is an asset which should not be minimized. Common interests between the United States and Pakistan in security matters have resulted in Pakistan's willingness to extend to the United States the use of facilities in this country [*1 line of source text not declassified*].

It is one month since I arrived in Pakistan. In that period I have gained the firm impressions that: (1) the new regime is earnestly and conscientiously pursuing programs designed to achieve greater effectiveness in the utilization of all available resources for economic progress, and despite great handicaps, including an acute shortage of technical and administrative skills, its prospects for progress in this program are good, assuming an adequate level of foreign aid; (2) despite its military character, the regime has not increased military expenditures and is fully aware of the importance of maintaining no more forces than those considered by it to be essential for a minimum

defense effort. Nevertheless, Pakistani leaders are deeply concerned over what they consider to be threats to Pakistan from the north, south and east and are acutely sensitive to any suggestion that Pakistan's defense forces are larger than needed and should be reduced.

I am convinced that any substantial change in American policies with respect to economic and military assistance to Pakistan, which would indicate to the Pakistanis a lessening interest on our part in their future and security, would bring about a loss of confidence in the United States on the part of Pakistan which might appreciably affect Pakistan's orientation and thus endanger the achievement of American objectives here. By the same token, I am convinced that an adequate recognition by us of Pakistan's needs, both for defense and economic growth, will permit the maintenance and strengthening of a situation in Pakistan generally favorable to our objectives. Two qualifications should be cited: First, the absence of any substantial deterioration in the international sense and, second, the maintenance of an effective self-help effort by the Pakistanis themselves. The road ahead to Pakistan's self-sufficiency is, however, an exceedingly hard one.

Economic Aid

Program submissions for FY 1961 propose the provision of economic aid to Pakistan totalling \$245,200,000 (Defense Support—\$107 million; Technical Cooperation—\$8.2 million; Title I—Public Law 480—\$60 million; Development Loan Fund—\$70 million). This figure (which is exclusive of any United States assistance for the Indus waters plan if accepted by India and Pakistan) was based upon the conclusion reached after long study that a United States Government program of this magnitude would provide minimum needs to sustain the Pakistan economy and to inject into it sufficient resources to make a degree of progress in the improvement of the standard of living of the growing Pakistani population necessary (1) to give the Pakistani people some hope for the future and (2) to give us some hope that, if such progress is maintained, our assistance eventually can be reduced or eliminated and Pakistan can stand on its own feet.

The Country Team was encouraged to believe that despite the fact that a program of this magnitude would not exceed total obligations under the respective programs in FY 1959, various favorable factors should render it possible in FY 1961 to achieve substantially greater results than those which have been accomplished toward self-sufficiency up to this time. The principal reason for this belief is the expectation that the present regime can be counted upon to make more effective use of available resources. Also, it is expected that in FY 1961 aid arrivals will increase markedly above the present rate so that, for example, the impact of DLF loans contracted in prior fiscal years will be an extremely important factor in the situation. Further, the

economic and productive benefits of previous investments in Pakistan in development projects will by FY 1961 be showing far greater results than in the present early stages of construction.

It should thus be a part of our program to find means of achieving an annual rate of economic growth such as to provide at least a modest but continuing improvement in per capita production and consumption. Such growth is important in the short run for the stability of the present government and in the long run for an orderly domestic political evolution and the achievement of our joint strategic objectives. The desired rate of growth will be dependent upon an increase in the input of external resources and an improvement of resource use in development efforts. This will require, in terms of United States aid, a proper balance between defense support, essential even for any "holding action"; technical assistance, which is vital to fill a tremendous gap in trained technicians and administrators; development loan funds which, added to projects already approved, will provide the major foreign contribution for capital improvement; and surplus disposals under PL 480, which are essential to meet minimum consumption requirements until there is an appreciable improvement in local food and other agricultural production.

The proposed economic aid program for FY 1961 must be considered in the light of a number of specific efforts which the USOM now has underway. After Country Team discussions here, I support the general position taken by the USOM in its program submission. I believe the overall aid level proposed seems reasonable. It is not [now?] more than enough to meet expected shortfalls in Pakistan's budget and import requirements and to stimulate the desired growth. There is, of course, a risk that the program may not be sufficient; that events may prove assumptions regarding substantial increases in tax receipts, export earnings, and improvement in local performance to have been overly optimistic. There is a strong possibility that the amounts indicated in the program submission for PL 480 and development loan funds will exceed the absorptive capacity of the Pakistani economy, and if this proves to be the case it might be necessary urgently to increase from the proposed level of \$107 million the amount of Defense Support to be programmed.

Achievement of better resource utilization is vital. The USOM has been lessening its administrative over-burden and achieving greater effectiveness by reducing the number of projects in which it is engaged, by reorganization and pruning of technical personnel, and by providing more efficient financial management. We should continue to concentrate on these aspects.

On the Pakistani side, broad changes in economic and administrative philosophy, policies and procedures are essential and are beginning to receive official authorization. Dependence upon governmental

controls should, where possible, give way to greater dependence upon market incentives in areas where economic and social purposes can be served better thereby. Such reforms, affecting both the public and private sectors of the economy, are long overdue.

Improvements already made and the government's apparent awareness of the remaining problems are encouraging. The government has tightened the foreign exchange budget, introduced an export bonus scheme for a limited sector of exporters, improved tax collections, curtailed inflationary deficit financing, and released some consumer goods from restrictive price controls. Under USOM urging, the Government of Pakistan is considering the abandonment of a policy with respect to wheat of government controls and uneconomic prices for one providing greater price incentives and a partially free market. While this latter program is fraught with difficulty, including the possibility of strong public resentment to consumer price rises which are expected to require increases in wages, I have no reason to doubt the views of USOM that there is at least a good chance that the net effect will be highly advantageous to the economy.

In view of my short time in Pakistan, I am not in a position to formulate firm conclusions as to whether our economic aid program, either current or projected for FY 1961, provides the best possible approach for the achievement of its objectives. I thus cannot say categorically that the assumptions upon which the program submission is based are in all respects valid or that it will not become necessary in the period ahead to undertake revisions in emphasis and scope. It is, of course, essential to maintain a degree of flexibility in thinking and planning which will render it possible to meet new situations as they arise and to benefit from experience of success or failure in projects or approaches. With this reservation, however, I believe that the current plans for United States assistance in FY 1961 make considerable sense and provide the best immediately available guide.

Pakistan confronts an immense task in putting its economic house in order. However, there is a substantial basis for optimism in the determination being evidenced by the Ayub regime to undertake policies and methods which will expedite the processes of growth and move towards ultimate independence of external assistance. In these efforts, United States influence should be exercised in an understanding, helpful and constructive fashion.

Military Aid

United States aid to support the Pakistani defense effort has been based on the commitment made in the Aide-Mémoire of 1954. This commitment was designed to meet the deficiencies in four infantry and 1½ armored divisions, six air squadrons, and certain naval units. Deliveries under this program have gone reasonably well and fulfill-

ment of the commitment per se should be completed by the end of 1960, with the exception of the delivery of one squadron of transport aircraft. Nevertheless, even though this specific commitment might soon be met, it is clear that the Pakistani forces will require continued United States military aid and, in my judgment, it is very much in the interest of the United States that such aid be provided. The greatest need in this connection will be for trucks, tank and signal equipment to replace World War II material originally considered assets when the program was formulated but now urgently in need of replacement.

The fact is frequently overlooked by critics of the program that military aid to Pakistan was inaugurated not merely because Pakistan desired that aid but because it was important to the achievement of American objectives that Pakistan be helped in the military field. The commitment of 1954 was, in fact, a quid pro quo for Pakistan's membership in the Baghdad Pact (now CENTO). It was doubtful at the time the commitment was made that we could achieve our objectives without military assistance; it is in my judgment unlikely now that we could maintain our strategic and policy interests in this country in the absence of continued substantial military support.

Pakistan has been a strong and active member of CENTO and SEATO. Its position with respect to the Soviet Union and international communism has been largely consistent with our own. As noted above, certain military facilities have been granted to the United States in Pakistan [*2½ lines of source text not declassified*]. Our aid in the military field has thus not only given us a close relationship with Pakistan in security matters, which is to our benefit, but it has given Pakistan a feeling of confidence which has made it possible for successive Pakistani governments to pursue policies generally in the interest of the Free World. With our help, Pakistan has been able to maintain forces for internal security and with a capability of resisting external aggression. In the international situation which we confront today, it is of very great value indeed to have a staunch ally with the capability of contributing, and the willingness to contribute, significantly to collective security.

The motivations of the United States military aid to Pakistan have been explained in the foregoing context. Unfortunately, military aid to Pakistan, despite its enormous value in the achievement of our objectives in this country, has often been misunderstood and misinterpreted by influential persons in the United States. This arises largely from the complex reasons why Pakistan has felt it necessary to maintain a substantial military force. One such reason is the threat which Pakistan feels, rightly or wrongly, as a result of its differences with India. India has a large army and a modern air force; Indian military strength is generally estimated to be about two and one-half to three times that of her smaller neighbor. This has been one motivation for Pakistan

defense expenditures; sometimes it appears that Pakistan's concern over India exceeds her concern over defense vis-à-vis international communism.

It would, of course, be greatly to our advantage and to Pakistan's advantage if a situation could evolve whereby both Pakistan and India could reduce military expenditures to the extent that they are related to defense against each other. I, personally, am not convinced, however, that the creation of even cordial relations between the countries could prudently result in any appreciable reduction of the forces of either, at least for the foreseeable future. My conviction in this regard stems from my belief that while each is regarded by the other with suspicion and distrust, India and Pakistan would feel compelled to maintain forces at about or near their present levels in the light of threats to their security from forces under the control of international communism. Moreover, I believe it is in the interest of the United States and the Free World that both retain sufficient military strength to give them a sense of confidence in their capability for self-defense and, in the case of Pakistan, confidence in its capability to contribute to collective security in the context of CENTO and SEATO.

In present circumstances and for the next several years, any effort on our part to bring about an appreciable reduction in Pakistan's armed forces, or any decision substantially to reduce the present level of military aid to Pakistan, would be regarded as a severe blow, not only by President Ayub whose power base is the army, but also by most Pakistanis. The consequences might be seriously adverse to us in terms of the orientation of Pakistan's foreign policy. It would certainly reduce the extent of the influence of the United States in Pakistan which can now be employed usefully in the direction of our objectives in this country. Quite apart from purely military considerations we should, in my considered judgment, support the Pakistani military forces at about their present level unless and until a situation develops in which the Pakistanis themselves can be brought to feel that their security does not require forces at this level.

I should point out that a reduction in military aid would not necessarily result in smaller armed forces in this country. It is probable that the Pakistanis would simply spend more of their own limited resources for defense, thus aggravating the already acute economic problem. In other words, we cannot merely transfer aid from a military to civilian account and expect beneficial results; the opposite would probably be the case.

Most of the reasons which justified aid in the past—such as CENTO, SEATO and military facilities—are still valid today. There are special factors which recently have assumed great importance in Pakistani thinking: The Chinese Communist threat to the Indian subcontinent, growing Soviet influence and penetration in Afghanistan, and

the internal weaknesses of the Iranian regime. These factors will possibly become increasingly serious and present difficult issues for us and Pakistan. It is yet too soon to estimate clearly the course of events arising from these factors or how they should affect our thinking on the role of Pakistan's forces. However, one thing is clear: We cannot afford now any major risks vis-à-vis Pakistan which reductions in military aid would entail.

For these reasons, we should continue to support the military units in Pakistan which are now MAP-supported; we should plan military assistance which will include modernization of equipment, taking into consideration Pakistan's capability to absorb as well as financial limitations. Furthermore, we should not now make further approaches to Pakistan suggesting reduction of their non-MAP supported forces.

At the same time, we must, of course, endeavor to encourage the Pakistanis to keep military expenditures within reasonable limits and to control their appetites for modern weapons beyond their capacity effectively to absorb or to maintain them. Pakistani military authorities are extremely anxious to "graduate" from their present fighter aircraft to aircraft of the "century" series. I agree fully with MAAG's view that it would not be wise to supply weapons of this character, at least for several years. I do not doubt the estimate of American military authorities here that the Pakistan Air Force could not yet absorb these planes, and it is clear that their provision would involve far more funds than we could reasonably expect to obtain for Pakistan in the immediate fiscal years ahead and, at the same time, complete the basic equipment needs of the ground forces which should be of highest priority. I should note, however, that our failure to respond favorably to Pakistan's request for modern aircraft already poses difficulties for us in our relations with Pakistan, and I predict that in the period ahead continued denial of such planes will not be easy.

I have no independent judgment concerning the make-up of the FY 1961 military program which has been proposed by MAAG within the ceiling limitation of \$50 million established by the Pentagon for planning purposes. I agree in general that primary emphasis should be upon equipment for the ground forces. Whether or not a program in the magnitude indicated is sufficient to achieve our objectives in the military field depends upon many factors, some of which it is not yet possible to evaluate. One factor having a bearing on the adequacy of the FY 1961 program, however, will be whether the FY 1960 program will be permitted to include a substantial number of tanks, upon which we had counted for delivery under that program. The Country Team has strongly recommended that the recently revised FY 1960 program be amended again to include the tanks which had been removed therefrom.

In stating that we should continue our military aid program to Pakistan, I have much in mind problems which are posed for us in our relations with India. One reason I do not now believe we should consider the provision of modern fighter aircraft is that such provision no doubt would create difficulties with India. I believe we should bear constantly in mind this aspect of the matter and that in deciding upon specific items of equipment for Pakistan, we should, wherever possible and feasible, avoid the provision of equipment which would be unduly provocative to India. Nevertheless, I firmly believe that our relations with Pakistan in the military field should not now, any more than in the past, be determined on the basis of whether or not India would be likely to object, since in no presently conceivable circumstances would India approve military assistance to its neighbor. The safest course to pursue with both countries is, in my judgment, to do substantially what we have done in the past and insofar as practicable avoid exacerbating the situation with innovations which would focus undue attention in India upon the military program in Pakistan.

As President Ayub has stated to me on several occasions, the United States has a strong friend and ally in Pakistan. At the same time, the President has shown great sensitivity to criticism in the United States of military aid to this country. Such criticism has evoked very sharp local reactions whenever it has been published. This is due largely to a growing fear in Pakistan that there might be evolving in the United States a change in policy toward military aid to this country. If Pakistan should become convinced that such a change will materialize to the detriment of Pakistan's defense posture, it would be difficult to predict the consequences. Indeed, I believe Congressional criticism of the military program has cast a darker cloud on United States-Pakistan relations than any recent development. Fortunately, it is as yet only a warning cloud.

Information and Cultural Program

The United States Information Service in Pakistan operates in accordance with the instructions contained in the OCB Operations Plan for Pakistan.³ Its specific objectives are to create a better understanding of the United States and support for its policies; to publicize United States economic, technical and military assistance programs; to keep the people of Pakistan alert to the dangers of communism, and to encourage wider support of and more active participation in regional security organizations. The USIS is also responsible for the conduct of

³ Dated March 20. (*Ibid.*, S/S-OCB Files: Lot 62 D 430, Pakistan)

the Department of State's PL 584 and 402⁴ educational exchange programs, and is field agent of the President's Fund cultural programs.

As noted above, these aspects are an important and integral part of the total United States Government's program in Pakistan. The Agency maintains a staff of 35 Americans and 295 local employees, with an annual budget of \$874,000, excluding funds for the Educational Foundation, the IMG and the President's Fund.

As the informational arm of the United States in Pakistan, it is imperative that USIS operate in very close coordination with ICA, MAAG, and other elements of the American establishment. It must function as a well-knit, coordinated country operation under the general direction of the Ambassador and with day-to-day, indeed hour-by-hour, contacts with other American elements. Its effectiveness also depends to a great extent upon the receptivity of the host government to its operation. In these respects, I believe USIS in Pakistan is generally doing an admirable job.

With a government-controlled press closely monitoring internal political news, there is nevertheless a receptivity to United States releases and materials which explain democratic processes and the operation of political parties in our country. Pamphlets on American democratic institutions find ready acceptance. The willingness of the government to permit publication of this type of information is, I believe, an encouraging although obviously inconclusive indication of its sincerity in claiming that it wishes to return to democratic processes as soon as the situation permits.

I need not recount here the wide scope of USIS operations in Pakistan, as they are well-known to Washington agencies. I have been greatly impressed with the comprehensive dissemination of information through all media, and its reception in this country. The Voice of America, for example, has a large number of listeners, running close to BBC notwithstanding difficult reception conditions. It is encouraging that surveys indicate that Radio Moscow is near the bottom of the list in popularity.

The twelve United States Information Centers are making the United States well and favorably known in strategic Pakistani cities. The fact that the Municipal Committee of Rawalpindi voluntarily offered space for a library in that city at a time when space in the new capital area is at a premium is an indication of the respect with which the Program is held in Pakistan.

⁴ P.L. 584, the Fulbright Act, was passed by Congress on August 1, 1946; it authorized an educational exchange program. (60 Stat. 754) P.L. 402, the U.S. Information and Educational Exchange Act, or Smith-Mundt Act, authorized a comprehensive information and educational exchange program. It was approved on January 27, 1948. (62 Stat. 6)

The Educational Exchange Program continues to pay large dividends. During FY 1960, 92 Pakistanis will visit the United States under the exchange program and 25 Americans will come to Pakistan. The value of the program is evidenced by a wider understanding of the United States on the part of the grantees, which is expressed both in private and public utterances and in published materials. I am pleased that the Educational Exchange Program will be expanded from \$350,000 in FY 1960 to \$500,000 in FY 1961 from PL 480 rupees available in this country. I attach considerable importance to this particular aspect of the program.

In summary, the USIS program in Pakistan is not spectacular but is a solid operation contributing to a better understanding of the United States and its policies and helping to win support for our objectives here. It has been hampered during the last year by serious personnel shortages which now seem on the way to being corrected.

In view of the reception of the United States Information Program in Pakistan and the opportunities which we have for favorably influencing the situation here, I believe the USIS budget is an austerity budget and I earnestly hope that in FY 1961 adequate funds can be provided to carry out this essential function. While I do not have sufficiently detailed knowledge to evaluate the adequacy of the budget as submitted by agency representatives here, it is my impression that it is about right for our purpose.

Aid From Sources Other Than the United States Government

The bulk of foreign aid received by Pakistan in past years and expected in the next several years has been and will be from the United States. Our governmental aid programs have, however, been supplemented by important contributions from other sources, and it is expected that in the FY 1961 foreign aid from these sources will be in the neighborhood of \$50 million, excluding exporter credits.

The IBRD has made loans totalling \$126 million to date. Although the Bank has appeared very reluctant to extend substantial additional loans, it is understood that a further \$10 million loan to the Pakistan Industrial Credit and Investment Corporation can be expected soon. Moreover, it is expected that the Bank will make a major contribution to the financing of Indus waters development, if and when an agreement is reached between India and Pakistan. It is also expected that Colombo Plan countries and Germany will contribute substantially to this program, along with the United States. Estimates of the requirements of Pakistan for foreign exchange assistance in FY 1961, as used elsewhere in this evaluation, exclude requirements for the Indus waters development which presumably will be financed over and above all "regular" aid.

Among the Colombo Plan contributors to Pakistan's development, Canada has been by far the most important. Canada's contributions through June of this year aggregated over \$102 million, mainly for the Warsak Dam and accompanying hydroelectric developments, and wheat. As major projects have neared or reached completion, the scale of Canadian aid has been steadily reduced and no significant increase can be expected except for that occasioned by the Indus waters scheme. Australia and New Zealand have made smaller contributions for projects in various fields.

FAO has been the largest contributor among the UN organs, followed by UNTAA and UNESCO. The scale of technical assistance rendered Pakistan through these and other international organizations (IBRD, ITU, WMO, ILO, ICAO, WHO and IAEA) is in aggregate slowly but steadily shrinking, and aside from increased activity due to the Indus waters scheme, is expected to continue to do so.

The largest contributor from among non-governmental organizations is the Ford Foundation, which had committed by the middle of this year \$14 million of help for Pakistan. The Foundation's programs have concentrated on key points of the development process, namely the Planning Commission and the educational system. The Foundation is financing the Harvard Group in the Planning Commission and three polytechnic institutes in Karachi, Dacca and Rawalpindi; home economics colleges in Karachi, Dacca and Lahore; a number of village aid academies, and various other educational ventures.

The Asia Foundation makes smaller but significant contributions in the technical assistance field.

From time to time, other governments have contributed foodstuffs for relief purposes. Such contributions in the past have been made by the USSR, India, Communist China, Ceylon and Burma. Relief supplies also are provided by such organizations as CARE, the Church World Service and the Catholic Relief Service. The volume of such gifts in any given year depends upon the need and, in the case of gifts from other countries, the political capital which might be gained. It is impossible to forecast what future volume of gifts of this nature might be expected.

Not falling in the category of aid or development loans are exporter credits which in the past have been extended by the Export-Import Bank as well as by the United Kingdom (\$28 million this year) and Germany (\$40.5 million this year). These are essentially commercial loans despite their repayment terms which are somewhat longer than usual. As Pakistan's credit worthiness improves, such loans might become easier to obtain, but the Ministry of Finance is expected to keep a tight rein on them to avoid an over-obligation of foreign exchange.

Coordination of Programs

Over-all responsibility for local coordination of United States Governmental programs is, of course, vested in the Ambassador. The principal instrument by which this is accomplished is the Country Team, consisting of the senior representatives of the several United States missions. Regular twice-weekly meetings are held in the course of which matters of mutual interest are discussed. The Country Team concept, moreover, applies in day-to-day operations so that on all matters involving responsibilities of two or more missions regular liaison is maintained at appropriate levels. The Special Assistant for MDAP is charged with special responsibility in assisting the Ambassador in his coordinating function.

I feel that I am appropriately consulted by the mission heads upon matters of importance. I have also been impressed with the effectiveness of the working relationship at lower levels between and among the missions. For example, both the ICA and military programs for the FY 1961 were subjected to careful review and comment by all missions constituting the Country Team. The economic impact of the proposed military program, as well as the effect of the proposed economic program on military matters, were thus taken into account.

A specific officer of USIA is charged with liaison responsibility vis-à-vis USOM and the working relationship between the two missions otherwise is such that there is good coordination. While differences of opinion inevitably arise, I believe that these differences are worked out in a satisfactory manner. Coordination between USIA and MAAG is likewise working well.

I am particularly pleased with the relationship which exists between representatives of non-United States Governmental agencies assisting Pakistan and officials of United States missions. There seem generally to be not only good official relations but also close personal friendships among the people primarily concerned. For example, the Ford Foundation keeps the Embassy and USOM well-informed on its projects, and particularly those which have a bearing upon efforts being made through USOM.

Liaison between the Embassy and USOM on the one hand and those responsible for Colombo Plan activities on the other hand seems equally good. The principal contributor to Colombo Plan projects in Pakistan is Canada, and the Canadian High Commissioner keeps us fully informed of matters which would be of interest to the United States.

These relationships and the present means of coordination thus appear in general excellent. I believe that they provide ample opportunity for discussion of proposed programs before they are undertaken, and thus minimize duplication, harmful competition or inconsistencies.

Conclusion

Generally speaking, we are making good progress in the achievement of many of our objectives in Pakistan as stated at the beginning of this evaluation:

Certainly there is in power here a “non-communist government willing and able to resist communist blandishments and pressures from within and without.”

While Pakistan’s relations with India and Afghanistan leave much to be desired, the Department is aware that there are hopeful signs that relations with India are on the upswing. Moreover, there seems to be a growing awareness in Pakistan of the desirability of finding some way to improve relations with Afghanistan, now at a low point, and I believe that any constructive thoughts that we have in this connection, which would not jeopardize Pakistan’s interests, will not in present circumstances fall on deaf ears. Pakistan’s general identification “with the Free World community” is highly satisfactory.

There is at present in Pakistan “a strong stable government”, to a considerable extent at least now enjoying the support of the people. Although it is a benevolent dictatorship, it has publicly professed its desire to return to a more democratic form as soon as conditions permit. While we should encourage a return to the rule of law and democratic forms appropriate to Pakistan, we should recognize that in present circumstances there is some validity in the regime’s contention that a too-early and ill-planned return to democracy might not be in Pakistan’s interest, or our own. It is obvious that the regime does have strong opposition particularly among former politicians, and its continued stability will depend in large measure upon its effectiveness in dealing with this opposition.

The Government seems determined to work toward “an increasingly sound and developing economy.” Presumably, however, our ultimate objective in the economic field is to assist in the creation of a situation in which large-scale American assistance is no longer required. Unfortunately, relatively little progress has been made thus far toward the achievement of such viability. Although it would be unwise to become overly optimistic over prospects of success in this endeavor, at least these prospects seem better now than at any time in Pakistan’s short history, assuming a continuation of large-scale foreign

assistance over the years immediately ahead and a continuation of the Government of Pakistan's apparent determination with respect to self-help.

Finally, Pakistan maintains, with our support, "a posture of military strength contributing to area stability and as appropriate to the defense of the Free World."

There are few underdeveloped countries in Asia where the situation presently comes so close to conforming with stated United States objectives. That is not to say these objectives have been reached, or even nearly reached, particularly in the economic development field. We should, however, take considerable satisfaction from the fact that, despite many disappointments in the implementation of various aspects of our program, and despite the enormous dearth of natural and trained human resources, the relatively stable situation in Pakistan and Pakistan's general orientation are among our most valuable assets in this part of the world. In order to continue to capitalize upon these assets, continued substantial American aid is required. Our failure to provide such aid as appropriate—economic, military, psychological and political—would bring about quickly a reversal in an otherwise encouraging situation. In the absence of unforeseen developments, I believe the programs which have been proposed for the FY 1961 will provide reasonable assurance that no such reversal will take place.

Rountree

371. Telegram From the Embassy in Pakistan to the Department of State¹

Karachi, October 8, 1959—8 p.m.

853. Although we have not yet seen New Delhi's reply Deptel 745,² in view Deptel 778,³ Embassy submits following:

¹ Source: Department of State, Central Files, 790D.5612/10-859. Secret; Priority. Repeated to New Delhi, Kabul, Lahore, and Peshawar.

² In this telegram, October 1, sent to New Delhi as telegram 1195 and repeated to Karachi as telegram 745, the Department requested the Embassy's comments regarding the probable Indian reaction if the United States supplied Sidewinders to the Pakistani Air Force, particularly in light of recent reports by the Embassy in Pakistan of overflights by unidentified aircraft in the Gilgit area of Pakistan. (*Ibid.*, 790D.5612/10-159)

³ In telegram 778, October 7, also sent to New Delhi as telegram 1254 and repeated to Karachi as telegram 778, the Department of State expressed its interest in an immediate reply to telegram 1195 (see footnote 2, above). (Department of State, Central Files, 790D.5612/10-759)

1. Assuming recent overflights hostile acts which might continue, Pakistanis face real problem affecting their security. They cannot now deal with this problem and are depending on us. We feel some affirmative response is most important in terms our relations with Pakistanis and, within wider context, as evidence US interest meeting developing ChiCom threat Indian subcontinent.

2. In our view these considerations outweigh possible adverse Indian reaction although, on basis other evidence from Embassy New Delhi, Indian opinion seems to have moved considerably distant from that described Delhi's telegram to Department 2428, April 17.⁴ Effective PAF capability would now appear to be in Indian as well as Pakistani interest.

3. We are somewhat concerned by implication Deptel 745 that Sidewinders may not be supplied Pakistanis unless we first are certain Indians can obtain comparable weapon from British. We assume supply British "Red Top" to Indians would be based on normal military requirement unrelated to Pakistan obtaining US Sidewinders.

4. Re last paragraph Deptel 745, current revision FY 1960 MAP available here does not contain site for Sidewinders. We earnestly hope moreover that any assistance decided upon to aid in overflight problem will be over and above existing programs FY 1960 and 1961 which already perilously low in meeting high priority items in content US objectives Pakistan.⁵

Rountree

⁴ Document 349.

⁵ In telegram 1263 from New Delhi, October 8, Ambassador Bunker informed the Department of State that the Indian reaction to the U.S. supplying Sidewinders to the Pakistani Air Force "would continue to be adverse and US would bear brunt of opprobrium." (Department of State, Central Files, 790D.5612/10-859)

372. Memorandum From the Assistant Secretary of State for Near Eastern and South Asian Affairs (G. Lewis Jones) to the Officer in Charge of Greek, Turkish, and Iranian Affairs (Owen Jones) and the Director of the Office of South Asian Affairs (Bartlett)¹

Washington, October 12, 1959.

Sidewinders

After saying goodbye to Prime Minister Eghbal, I rode back with Mr. Dillon, who asked me what was the status of the sidewinders. I told him about Ambassador Bunker's telegram² which, although negative to sidewinders, would admit that if there were larger considerations U.S.-Indian relations could probably stand the shock of providing sidewinders to Pakistan and Iran. Mr. Dillon said this was as much as anybody could expect: the last time India had given a flat "no". Mr. Dillon said that he was seeing Jack Irwin later today and that he would tell him that our position was now no longer wholly negative, i.e., there should be written into the program the possibility of providing sidewinders to Iran and Pakistan.

Mr. Dillon showed that he clearly understood the importance of F-86s conformed to take sidewinders. He said that F-86s can now be procured from "excess" and that a squadron of these "only cost about \$2,000,000." He reminded me of Mr. Wailes' recommendation that the new aircraft be flown to Tehran by ones and twos and as early as possible. Mr. Dillon said that he would push for this.

Note: I told Mr. Dillon about Ambassador Bunker's "thinkpiece". Mr. Dillon said he had read it with care and that it was "an excellent telegram". From this I judge that we can consider this to be fairly close to "doctrine".³

[Here follows discussion of developments relating to Afghanistan.]

¹ Source: Department of State, Central Files, 790D.5612/10-1259. Secret.

² See footnote 5, *supra*.

³ In telegram 1113 to Karachi, November 13, also sent to London, New Delhi, and Tehran, the Department requested the Embassies to submit their recommendations as to the timing of the announcement that the United States would be supplying Sidewinders to Pakistan and Iran. (Department of State, Central Files, 788.5-MSP/11-1259)

In telegram 1164 from Karachi, November 16, Ambassador Rountree recommended that Pakistan be informed of the U.S. decision to supply it with Sidewinders prior to the President's upcoming visit to Karachi. (*Ibid.*, 790D.5612/11-1659)

In telegram 1815 from New Delhi, November 18, the Embassy recommended that the notification of Pakistan regarding the Sidewinders be deferred until late January to give "maximum opportunity for improved climate of Indo-Pakistan relations to develop." (*Ibid.*, 790D.5612/11-1859)

373. Telegram From the Department of State to the Embassy in Pakistan¹

Washington, October 21, 1959—6:21 p.m.

890. Karachi Icato 721.² Finance Minister Shoaib departed Washington October 20 for Karachi, having talked with Dillon, Murphy, Jones (twice), Bell, Bartlett in Department, FitzGerald (twice) in ICA, Brand DLF,³ Miller Agriculture,⁴ Kearns Commerce⁵ and Irwin Defense. Additionally he attended IMF–IBRD–IFC and CENTO meetings and talked with private businessmen in New York.⁶

Besides topics in reftel Shoaib's presentation in Department centered on 1) need for imports industrial raw materials as supported by GOP study, 2) September draft of Second Five-Year Plan upping investment to 19 billion rupees, and 3) importance increase in present level Defense Support and Technical Cooperation. Shoaib repeated to several State officials Ayub's desire for F-104 fighter aircraft, Nike-Ajax unit, Sidewinder missiles, and M-14 specifications. He offered keep defense budget unchanged and pay for 4–6 planes.

Shoaib particularly concerned by trend tie purchases under DLF loans to U.S. procurement and impact on DLF railroad loan currently under discussion. Offered promise spend at least half of loan here and favor U.S. suppliers unless price 5–8 percent over world level.

Shoaib, who knew Defense Support figure by October 16, expressed gratification initial level high as last year but asserted Pakistan urgently needed even larger subsequent increment than received last year due stringency imports and need avoid inflation. Also disappointed by cuts in jointly developed TC program. As alternative to large Defense Support aid Shoaib mentioned possible increase in PL-480 imports, notably fine cotton yarns, as means avoiding squeeze Pak economy.

All Departmental officials listened sympathetically to Shoaib's presentation. Bell and others stressed current budgetary stringency, showed GOP equitably treated in apportionment funds, and discouraged optimism regarding subsequent increase in Defense Support.

Herter

¹ Source: Department of State, Central Files, 033.90D11/10-2159. Confidential. Drafted by Stanley Wilcox of SOA and approved by Bartlett.

² Not found.

³ Vance Brand, Managing Director of the Development Loan Fund.

⁴ Clarence L. Miller, Assistant Secretary of Agriculture.

⁵ Henry Kearns, Assistant Secretary of Commerce for International Relations.

⁶ Additional documentation on the Shoaib visit and memoranda of some of the conversations mentioned in this telegram are in Department of State, Central Files 033.90D, 890D.00, 790D.56, and 790D.022.

374. Editorial Note

On December 3, President Eisenhower left Washington on the first leg of a world tour that took him to 11 countries in 3 weeks, including Pakistan. Eisenhower arrived in Karachi at 3:30 p.m. on December 7 and left at 8:20 a.m., December 9. During his stay in Pakistan, the President met with Pakistani President Ayub Khan and Finance Minister Mohammed Shoaib; see *infra* and Document 376. Briefing papers for the President's visit are in Department of State, Conference Files: Lot 64 D 560, CF 1521. In telegram 1199 from Karachi, November 20, Ambassador Rountree offered his views on the substantive matters which Eisenhower might wish to discuss during his meeting with Ayub. (*Ibid.*, Central Files, 711.11-EI/11-2059)

375. Memorandum of a Conversation, Karachi, December 8, 1959, 9 a.m.¹

US/MC/16

PARTICIPANTS

United States

The President
Mr. Murphy
General Goodpaster
Ambassador Rountree

Pakistan

President Ayub
Foreign Minister Qadir
Finance Minister Shoaib
Foreign Secretary Ikramullah

SUBJECT

East-West Relations; Soviet Strategy in Middle East; Pakistan-Indian Relations;
CENTO and Pakistan Military Requirements; Afghanistan

President Eisenhower met with President Ayub at 9 A.M. December 8 for substantive talks. President Ayub began by saying that the Pakistani people were generally gratified with President Eisenhower's visit. The President had shown true courage and wisdom as leader of the Free World and the great trip which had been undertaken was the result of profound foresight. It was, of course, in the interest of the United States for the Free World to remain free, and it took great wisdom on the part of the United States to help its friends resolve their

¹ Source: Department of State, Conference Files: Lot 64 D 560, CF 1521. Secret; Limit Distribution. Drafted by Rountree. The source text indicates that the conversation took place at President Ayub's residence.

problems so that they could preserve their freedom. He also recognized that the United States must help certain countries that were not its friends since without such help those countries would be taken over by the communists. Once this happened, there was "no hope in hell" that they would again gain their freedom. While there might be a relaxation of tensions between the East and West, we could be certain that the communist nations would do everything in their power to achieve their ambitions.

President Ayub was deeply concerned over Pakistan's relations with some of its neighbors, and he said that he had gone out of his way to resolve problems with them and would continue to do so. In this, however, he needed our help in many respects.

President Ayub acknowledged the desirability of the United States endeavoring to improve its relationships with the Soviet Union, even though there was slight chance that the basic Soviet attitude had changed or would change appreciably. It was nevertheless important that, while trying new approaches to reduce tensions, at no time should we drop our guard. Tactically, the Soviet Union wishes to relax tensions temporarily in order to gain further opportunities for consolidation, and to meet the growing demand of the Soviet people for "creature comforts." Whenever it suited their purposes, they would revert to pressures and threats, and it would be fatal if the Free World were not always in a position to meet them.

He thought the Chinese undoubtedly opposed the present Soviet "soft tactics." The Chinese had made tremendous progress and needed international tensions to pursue their programs. Their objective was to become equal with Russia before moving toward a lessening of tensions. Nevertheless, the Chinese would not and could not break with the Soviet Union over this different approach. They might let their views be known, but they could always be quietly persuaded by the USSR to follow the Soviet line.

Turning to the Middle East, President Ayub said USSR strategy was to produce a counterpoise to China in bulk, population and resources. China would be a mighty power in 30 to 60 years, and could pose a substantial threat to the Soviet Union. The Soviets were thus anxious to find means of preventing the predominance of China. Although they would assist China, particularly in the years immediately ahead, their real objective was to establish the counterbalance. Nasser had given them an excellent opening in the Middle East and they were endeavoring to capitalize upon it. Their big problem was NATO. Although the Soviets had tried hard to destroy NATO, they had found that they could not do so. While NATO had great weaknesses, it had not broken up and there were no prospects that it would cease to be a real deterrent. The Soviet long-range strategy therefore took into account alternative means of achieving their objectives through the Mid-

dle East and all of Asia. In the recent past, they had devoted far greater attention to Afghanistan. As an alternative to penetration through Iran and Iraq to Suez and then to Africa, they visualized a possible penetration through Afghanistan and had made great investments to enhance this possibility. The Chinese were building air bases in the vicinity of South Asia, and in time would create a substantial threat to India through Burma. The combination of Soviet and Chinese pressure could result in the collapse of India. Afghanistan therefore presented a grave threat to all of us.

President Ayub displayed a map indicating Soviet road-building activities in Afghanistan and explained his view of its military implications. Afghanistan did not need these roads, and the money obviously was being spent to facilitate Soviet designs. In the past, there was a considerable limitation upon the number of forces which the Soviets could use against Pakistan. With these new roads, however, at least eight divisions could be moved quickly, and an even greater military move would later become possible.

By developing this potentiality of a move through Afghanistan, the Soviets would have two alternatives, one to move through the Middle East if the situation permitted, and the other through South Asia. They need not decide now which would be chosen but their decision would be based upon their best chance of success.

President Ayub had said several months ago that it would be fatal if India and Pakistan should remain enemies. They had a common interest in the defense of the subcontinent, yet 80% of India's forces faced Pakistan, in consequence of which most of Pakistan's forces faced India. He had asked why their problems should not be resolved since if they were settled, both armies could do their proper jobs in area defense. Even now, Nehru was in difficulty finding troops to meet the Chinese problem, since he felt he could not remove the forces facing Pakistan. By the same token, if Pakistan should encounter acute difficulties with Afghanistan, it would have the same problem in reassigning troops. He had therefore urged that conditions be created so that this military picture might improve. Nehru had declined the concept of joint defense. That was less important, however, than an understanding between the two countries, but there could be no assured peace with India without a solution to the Kashmir problem.

President Ayub reviewed the status of the Indus waters negotiations and expressed the view that the talks were going well and would soon result in an agreement. He explained details of the IBRD plan, and expressed gratitude that the United States had indicated its willingness to assist in the financial aspects. Pakistan now had 23 million acres of land artificially cultivated, and this depended upon the use of the waters of the Indus. Those waters must be conserved and this conservation must begin in the hills of Kashmir. The very life of

Pakistan thus depended upon Kashmir. However, he felt that it should not be difficult to find a solution to Kashmir if three elements of the questions were taken fully into account: (1) The people of Kashmir had a stake in their future; (2) Pakistan had a stake in Kashmir and (3) India had a stake in the area. Any solution reasonably satisfying these three elements would be accepted by Pakistan. A plebescite would be fine, but if that was not possible, he was prepared to consider any alternative which would satisfy the three points.

President Ayub related this problem and its solution to US aid to India. He felt that the US had tremendous influence in that country, since Indians relied on our aid. He hoped that the United States would use its influence, not by holding a brief for Pakistan but by holding a brief for the interests of the Free World. If this matter were not settled, both countries would be defeated and would go under. The United States might be the last to suffer from this but eventually its interests would be gravely involved.

President Eisenhower observed that the United States might in fact be the first to suffer from any conflict with the Soviet Union, but agreed with President Ayub that this would be true only in a global war. President Ayub felt that there was a great danger of non-communist countries being "nibbled away" short of global war.

President Eisenhower recalled that in 1956 he had had a series of talks with Nehru during which the Kashmir question was discussed.² Without knowing the details of the dispute, the President had taken the line that there was no problem between Pakistan and India which could not be solved if both countries approached it with reason and good will. He was delighted that President Ayub had taken the initiative in endeavoring to improve relations with India and bring about solutions to outstanding problems. He would find it easy to resume his talks with Nehru along the previous lines, and he would be better prepared to talk on the subject, in light of his conversations with President Ayub. He had emphasized to Nehru that India and Pakistan should both face northward, not each other. At that time Nehru had been particularly disturbed over American military aid to Pakistan, and had raised the specific question of American bombers. President Eisenhower had told Nehru that we were helping Pakistan militarily because we thought it was in our interest to do so, but he had stated that if Pakistan should attack India, the United States would be on India's side. Continuing, President Eisenhower said passive resistance was no good against communism, and he thought this concept might be a bit clearer today in India than it had been before. He observed that he could talk more satisfactorily with Nehru alone than with others present. Nehru was a contemplative type who liked quiet and

² See *Foreign Relations, 1955–1957*, vol. VIII, pp. 319 ff.

relaxed conversations. President Eisenhower would try to see how far he could get with Nehru in this manner.³

(President Ayub handed to President Eisenhower a résumé of the points he had made, which he hoped might be helpful.)

President Ayub said that the United States was of course a free agent to give India anything that the United States wished. He wanted to say, however, that military aid to Nehru, in the absence of an agreement with Pakistan, would be disastrous for the latter. Indian Army forces were already three times greater than Pakistan's, and India had always made clear that these forces were created vis-à-vis Pakistan. In the past they had bought certain tanks and rifles from the United States. Although they had paid for these weapons, the United States had extended economic aid to India in substantial amounts, and the result had been the same as though the United States granted the equipment. Nehru had objected to military aid to Pakistan, although his objection might now be somewhat less than heretofore. Nehru still wanted Pakistan to remain weak while India builds up its strength.

President Eisenhower inquired whether, assuming India and Pakistan should come to an agreement on the waters dispute protecting Pakistan's vital interest in the matter of irrigation, and putting aside the question of who had political control of Kashmir, all troops on both sides might be withdrawn from Kashmir. President Ayub replied that this might be feasible if the area were not otherwise menaced, but that was not the case. He pointed out that parts of Kashmir were in dispute with the Chinese. If forces were withdrawn altogether, it was almost certain that the Chinese would simply move in and take over. Other points of Kashmir would fall to the communists. Thus, the area could neither be demilitarized nor made independent. President Eisenhower said he saw merit in this point, and thus could perceive of no answer but an agreement between the two countries.

In reply to President Eisenhower's question as to whether the people of Kashmir were warlike, President Ayub responded that in general the population of the Vale of Kashmir were not. The inhabitants of other more rugged areas were.

President Eisenhower inquired whether, if the waters agreement were concluded, there might be a permanent division of Kashmir generally along the present armistice lines. President Ayub responded that this would not be possible. Among other things, it would mean that India would be within 15 miles of Pakistan's vital communications system. [7 lines of source text not declassified]

³ Eisenhower was scheduled to arrive in India on December 9 for a 5-day visit. See Documents 247 and 248.

President Eisenhower understood that Nehru was born in Kashmir, and wondered which section. President Ayub responded that Nehru was not born in Kashmir, although his family came from there. Nehru had used this in arguing India's position on Kashmir. It would, however, be like President Ayub saying that because his family was from Afghanistan, which it was, Pakistan should have Afghanistan. Certainly he was not claiming Afghanistan.

[4½ lines of source text not declassified] President Eisenhower replied that it of course was not his intention to negotiate. He could do little more than urge Nehru to get together with Pakistan to try to work out the problem, and he would not indicate what the Pakistani position might be. He saw great value in finding some way of solving the problem [1 line of source text not declassified]. He wondered whether it was necessary for Pakistan physically to possess the land from which the waters of the rivers originated. He mentioned that the economies of many areas of the world depended upon waters coming from other countries. He cited, for example, our arrangements with Canada which provided for the assured flow of waters without our owning the places of origin, and without any fortifications between the two nations. President Ayub said that the big difference was the spirit which prevailed between Canada and the United States on the one hand and between India and Pakistan on the other. If relationships between the latter two countries were not as they were, the problem would never have arisen. It was the lack of confidence between the two countries that led to the necessity of the World Bank's intervention. In Pakistan's view, India had taken away rivers that should belong to Pakistan and upon which Pakistan's life depended.

Reverting to the question of United States aid to India, President Ayub again said that the United States should give India what was reasonable, but that it should insist that they solve their problems with Pakistan. It was a fact that Pakistan had reason not to trust India. In 1951, for example, the Indian Army had been given orders to move against Pakistan. Fortunately, Pakistan learned about this and its forces were in position in 7 days as against the 10 days that India needed. He hoped there would be no repetition of this, but there must be confidence. Pakistan should not be exposed to unnecessary dangers. If it should go down, American influence in all of Asia would diminish or disappear. Pakistan was a strong bulwark against communism; that was in fact the reason why it was the victim of most vicious communist and neutralist propaganda. He referred to the attitude of certain Congressional leaders concerning military aid to Pakistan, and mentioned in particular Senators Kennedy, Cooper and Fulbright, as well as Congressman Bowles. He said that he often wondered what

happened to American Ambassadors when they went to New Delhi. On one occasion, one of them had been virtually insulted by Nehru and commented later that Nehru was "wonderful."

President Eisenhower referred to President Ayub's recent visit to New Delhi and wondered whether Nehru had indicated any desire to return the visit. President Ayub responded that the Foreign Minister had asked Nehru to stop in Pakistan en route to or from Afghanistan, but Nehru had declined. He felt Nehru was suspicious and hard-headed, and was loathing every minute of the present situation in his relations with China. Nehru much preferred to bask in the shade of communism and wanted and expected to have the USSR intervene to ease the current tenseness with China. [1½ lines of source text not declassified]

Concluding this part of the discussion on India, the President said that he would do his best in his talks with Nehru to contribute to a greater willingness on the latter's part to solve the problems between the two countries.

President Ayub reported on his recent visit to Iran and Turkey. He said the CENTO alliance was responsive to the aspirations of the people of the three countries. They were all prepared to fight against communism. CENTO was a shield for the Middle East and Africa and for South Asia. The three regional members had no means to equip themselves for the defense of the area, and no one but the United States could come to their assistance. President Ayub knew of the great problems of the United States. He also realized that European countries should help meet the burden of assistance to free world nations. European nations now needed no assistance and should shoulder their own burden, so that the United States could help those who could not help themselves.

President Eisenhower agreed that Europe was, in general, in a good position. The principal exceptions were Italy, which has acute budgetary problems and diminishing reserves, and the Dutch who had taken on more than they could handle. Other European nations should do more. In any event, these problems were very much in his mind. He observed that he had no question that in Pakistan and Turkey we had sturdy allies.

President Ayub responded that the two countries were certainly sturdy. It was important that none of the regional CENTO nations be permitted to become frustrated. The situation in the area would become highly dangerous in that event. If Pakistan, for example, did not receive American support it was inevitable that the Chinese sooner or later would get it, as well as India.

President Eisenhower observed that the Chinese were threatening us. They had made particularly strong threats about Formosa, and were told off. They had done nothing about it, because they were not

ready. There was great need, of course, to review the long term situation and danger, as well as the short term. This again underlined the importance of solving problems between India and Pakistan.

President Ayub said the Shah of Iran needed to be “bucked up.” He was the only man on the surface in Iran able to run the country. One of his great problems was that he tried to centralize too much, and did not delegate authority to able people who could help him. Iran must be strengthened, since there was a danger of collapse, and if this should occur it would be similar to what happened in Iraq. Since it was contiguous to the Soviet Union the results would be far graver.

President Eisenhower observed that the Shah no doubt was a fine man, although he had many difficulties and dilemmas. Under his system, he must rely for support upon notables and wealthy people, and this made the population unhappy. It was a situation upon which the communists could capitalize. President Eisenhower said that he liked the Shah very much. He had had four meetings with him and was greatly impressed with him. He feared, however, that unless the Shah could undertake effective reforms his position would be weakened. The President wanted to help him in any way he could.

President Ayub commented that the CENTO force goals were extremely low. He understood the United States attitude of not wanting to increase these forces; however, he felt they must be modernized. They now had a mixture of American, British and other equipment and it was difficult to operate an army in these conditions. He wanted a greater degree of uniformity, and felt that Pakistan should go on a completely American basis. There was a real problem, for example, as to who would supply UK caliber ammunition if Pakistan forces were called upon to fight together with their allies. Pakistan should also have missiles. The Air Force had inadequate equipment for its present role. He referred to overflights of Pakistani territory by USSR and Chinese planes, and the inability of the Pakistan Air Force to do anything about them. It should have some F-104 aircraft.

President Eisenhower said that he was not sure about the situation with respect to F-104's, and asked whether F-100's might not be adequate. General Goodpaster commented that it was a good plane and some had recently been provided to the Germans. President Ayub commented, however, that the F-100 was obsolescent and it would be a mistake for Pakistan to have anything that would soon be out of date. The change now should be for planes in the F-104 class.

President Eisenhower inquired about Pakistani radar, and President Ayub responded that it was being established, but that more was needed. He discussed this requirement also in the context of overflights. Continuing, he said that he needed the Nike-Ajax missiles, as well as sidewinders.

President Eisenhower discussed the characteristics of these weapons, and indicated that he would give the matter further thought.

President Ayub said while he was not pressing for American membership in CENTO he understood that the Turks had urged that the United States join. President Eisenhower responded that we had felt that our views on this question had been sound. We had, from time to time, reviewed our policies to see if they should be changed, and would continue to do so.

Responding to President Eisenhower's query as to why the Pakistanis did not look more to the British, in view of their historic relations, for assistance in military matters, President Ayub said the problem was that the British had no resources. Moreover, he commented that there were perhaps too many "historic relations" to make this feasible.

President Ayub stated that the regional members of CENTO had been pressing for a command set-up, since they felt the organization would be a "paper tiger" without one. He thought that it should have an American commander who would undertake to see what should be done to put teeth in the organization. It was in the interests of the United States for the organization and the local forces to become effective, since, if they could not protect themselves, it might become necessary for United States forces to protect them. When military aid had been attacked, he had asked whether it would not be necessary for the United States to make a greater military effort of its own if it were not for Pakistani and Turkish forces.

President Eisenhower said, in connection with President Ayub's comments about the Commander-in-Chief, that it had been his understanding that the Shah desired that position. President Ayub confirmed this, but said if he were designated it would be on paper only. There would obviously be constitutional reasons why he could not serve in fact as Commander-in-Chief, and this role would have to be assumed by someone else, preferably an American.

At this point the meeting was adjourned to proceed to other items on the schedule, but arrangements were made to resume after lunch.

(At the beginning of the session, President Ayub described the armed forces strength of Pakistan and India, and handed President Eisenhower summaries of the figures.)⁴

[2 paragraphs (7 lines of source text) not declassified].

President Ayub stated that he needed anti-aircraft artillery. He would not mind if we did not feel that we could furnish the Hercules, but would be satisfied with the Nike-Ajax. President Eisenhower responded to the effect that he would consider the matter.

⁴ Copies of the charts which Ayub handed to Eisenhower are in the Eisenhower Library, Staff Secretary Records, International Series.

President Ayub observed that Pakistan had had F-86's for nearly two years. In a year or two they would have to be replaced, and the replacement should be on the basis of modern aircraft. There was an urgent need for modern tactical air weapons.

President Eisenhower again underlined the importance of making peace with India so that problems of this sort could be discussed without concern for the Indian reaction. President Ayub responded that peace with India would "save us."

Turning to Afghanistan, President Ayub said that that country had no intrinsic strength [*less than 1 line of source text not declassified*]. It had no economic resources and no military power. The country was created as a buffer because of a clash in Russian-British interests. Today Afghanistan maintained itself by playing off the Soviet Union and the United States. The population loathed the Royal Family, which had virtually no power and was torn by internal squabbles. The Royal Family had come to the conclusion that in any clash of interests between the USSR and the United States the Soviets would prevail, and reasoned that Afghanistan should be a friend of the Soviet Union. That view was held more strongly by Daud than by other members of the Royal Family, but was also shared to some extent by Naim. Perhaps other members of the Royal Family were not beyond recovery. The King was pro-Western [*less than 1 line of source text not declassified*]. Daud was forceful and ambitious, but dumb, and had visions of some sort of Aryan empire with the Royal Family at its head. Afghanistan was getting enormous quantities of aid from the Soviet Union. Pakistan calculated that Soviet aid totaled \$610 million, of which \$441 million was for military purposes. It was possible to draw the conclusion that, in order to maintain the installations and facilities created by these expenditures, assuming only 15 to 20 percent for repairs, replacement and servicing, Afghanistan would require \$100 million per year. The total budget was only about \$60 million. He asked where Afghanistan could get even this amount, and said that the annual requirement was even greater since perhaps \$45 million per year would be required for servicing loans and paying for Soviet transport. It thus seemed clear that Afghanistan was completely sold to the Soviet Union.

President Eisenhower thought that, on the basis of this logic, Afghanistan would appear already "down the road" to the Soviet Union. President Ayub responded that they probably were. Daud might not believe this, but in any event he reasoned that, if the USSR should prevail and the communists should take over Afghanistan, they would have no alternative but to use him. They would, however, endeavor to obtain continued American support. They expected the United States to aid them so that they could "stay in the field." The

only possibility of recovering the situation might be for the United States to tell them bluntly that "we believe you have gone past the point of no return and unless you recover our support will be ended."

President Eisenhower observed that if they were abruptly cut off they would appear to have no recourse but to become even closer to the Soviet Union. President Ayub said that he did not have in mind that they would be cut off at this point, but only threatened. He thought that if there were any way to bring Naim into power he might be made to behave himself. Naim was inclined to be jittery and perhaps would be much better in present circumstances. He commented that Naim's visit to China and later to the United States was to get the best from both sides. He had information to the effect that the Soviets were very upset when Naim went to Washington.⁵

President Eisenhower stated that our estimate of the situation was not as gloomy as that set forth by President Ayub. The problem was one about which we were anxious to try to do something. He hoped that this would be possible. He did not see how the Royal Family could seriously believe that they could survive a communist take-over. Daud would indeed have to be very stupid to believe that.

President Ayub replied that Daud was very stupid, and that that was the key to the situation. The Afghans were not Muslims nearly as much as they were opportunists.

Responding to President Eisenhower's query as to the real nature of the Afghan claim against Pakistan, President Ayub said that it went back to the 18th century when an Afghan dynasty controlled parts of Pakistan. The British took over the area and later relinquished it to independent Pakistan, and the Afghans claimed that it should revert to them. Answering Mr. Murphy's question, President Ayub said that the Russians were strengthening a hostile feeling among the Afghans against Pakistan, and were making trouble in every way possible between the two countries.

President Eisenhower inquired as to what value Afghanistan would be if Turkey, Iran and Pakistan continued to strengthen their ties, and peace with India should be established. President Ayub responded that it was the space in Afghanistan which was important; if the Soviets should get that, they would be 500 to 600 miles nearer Pakistan. The natural defense line for the Subcontinent was the Hindu Kush. In time of emergency the USSR would simply move into Afghanistan and tell the Afghans to move out of the way. They would then pose a direct and immediate threat to Pakistan.

President Eisenhower observed that if the situation in Afghanistan was so far gone, it was difficult to understand why the Afghans

⁵ Afghan Foreign Minister Naim visited the United States in October 1959; see Documents 138-144.

were so anxious for him to come to Kabul.⁶ President Ayub thought that the Afghans no doubt earnestly wanted the visit. They wished to receive continued American support, and would bargain for it. They intended to deceive President Eisenhower into believing that continued American aid was in the interests of the United States.

President Eisenhower observed that his time there would be very short and all he could do would be to show his interest in Afghanistan and express his concern over the situation. President Ayub said that it would be very helpful if President Eisenhower should tell the King and Daud that he was fearful of where the present situation would lead Afghanistan.

[1 paragraph (6 lines of source text) not declassified]

President Ayub gave President Eisenhower a paper indicating typical radio broadcasts from Afghanistan against Pakistan. He also provided a paper showing why the Afghan claims were fallacious. He commented that Pakistan had shown tremendous restraint in matters of this sort. The difficulty had gone beyond mere propaganda, and Afghans had sniped and killed Pakistanis, blown up bridges and undertaken various other acts of this sort to foment trouble. He observed with a smile that a group came in to raid Pakistan territory and were immediately met by Pakistan forces which killed 300 Afghans.

Since then there had been little action of this nature since the Afghans knew that the Pakistanis could beat them at any time.

[1 paragraph (6½ lines of source text) not declassified]

⁶ Eisenhower was scheduled to fly from Karachi to Kabul on December 9 for a 1-day visit; see Documents 150 and 151.

376. Memorandum of a Conversation, Karachi, December 8, 1959, 7:30 p.m.¹

US/MC/25

PARTICIPANTS

United States
The President
Mr. Murphy
General Goodpaster
Ambassador Rountree

Pakistan
Minister of Finance Shoaib

¹ Source: Department of State, Conference Files: Lot 64 D 560, CF 1521. Confidential; Limit Distribution. No drafting officer is indicated on the source text. The source text indicates that this conversation took place at the Embassy Residence.

SUBJECT

Pakistani Financial and Economic Matters

In view of the fact that there had been inadequate time at meetings with President Ayub and his advisors to discuss financial and economic matters, arrangements were made for Minister of Finance Shoaib to call on President Eisenhower at 7:30 p.m. at the Embassy Residence, just prior to the dinner in honor of President Ayub.

Mr. Shoaib reviewed the state of Pakistani economy and finances at the time Field Marshal Ayub assumed power. He said that measures had been taken to cope with the problems and these measures had helped considerably. Revenues had been increased, prices were relatively stable and exports had risen. The first five-year plan had been designed to achieve a 15% increase in national consumption, and had actually achieved a 10% increase. However, 8% of this was required for increased population, leaving about 2% actual improvement. The next five-year program assumed an increase of 20%, of which 10% would be required to meet the growing population. This was not an overly ambitious program; nevertheless it would require an investment of four billion dollars. Perhaps 60% of this, or two and one-half billion dollars, could be provided by Pakistan, leaving a gap of 1.6 billion dollars. Pakistan expected that part of this would be provided by the International Bank, the Colombo Plan, non-U.S. Government contributions and private enterprise. It would be impossible to carry out the program, however, without generous assistance from the United States. Every effort was being made to improve the utilization of funds. Utilization was not yet perfect, but was much better and was improving. Pakistan earnestly hoped that it would continue to receive aid at least at the existing level, and perhaps at a higher level.

The President referred to assistance which the United States might provide in connection with settlement of the Canal Waters dispute with India. Mr. Shoaib commented that this was vital, but that it would be used for the most part for projects to replace existing waters, so as to maintain the status quo.

President Eisenhower said he had assumed that the various projects undertaken in connection with the scheme would provide more effective utilization of existing waters, and provide power and other assets which would enhance the Pakistani economy. At first Mr. Shoaib expressed the view that the scheme would be little more than one to maintain the status quo, but later when he understood the President's point, agreed that there would be an improvement. President Eisenhower emphasized that effective use of existing waters by flood control, etc., represented a substantial improvement over the uncontrolled flow of water resulting in alternate flooding and draughts.

The President was glad to learn that Pakistan was emphasizing the role of private industry. This was, he thought, vital to sound development. Private capital would take all risks except political threats. He wondered if there might be some way by which Pakistan could assure potential investors that their assets would not be sequestered; perhaps some sort of pledge could be made, backed up by funds to pay for any departure from that pledge. Mr. Shoaib thought private industry was gaining confidence in Pakistan. A number of major companies were discussing possible investment programs. It was his Government's intention to show that Pakistan welcomed such investments.

The President said it might be possible for him to assist by telling people in the United States of his confidence in the personalities in Pakistan. The attitude of investors was affected by their evaluation of the people upon whom they must depend.

The President inquired about the tax system wondering whether wealthy people were being taxed in proportion to their ability to pay. This, quite apart from the financial aspects, had an extremely good psychological effect, if the poor and less prosperous felt that the more prosperous were carrying their full burden. Mr. Shoaib said that there was no tax on income under \$1200 per year. Under their graduated scale, the maximum rate was 75%. The President observed that in the United States single persons with substantially less than \$1200 per year were taxed.

In reply to the President's question, Mr. Shoaib said that excise tax revenue was nominal. They collected import revenue from such items as cigarettes, textiles, sugar and meals at restaurants.

In reply to the President's question, Mr. Shoaib said the official Pakistani budget was in the neighborhood of \$300,000,000. In addition, the two provincial governments' budgets totalled about \$250,000,000.

377. Editorial Note

President Eisenhower summarized his conversations with Ayub and Nehru in a December 14 letter to Herter, Document 88.

Eisenhower met with President Franco of Spain in Madrid on December 22 and reviewed with him the results of his good will trip:

"From Turkey, the President said, he had gone to Karachi, the capital of a very poor country. In addition to its poverty the country had not been too well administered. President Ayub had taken over

the government, however, by a sort of coup d'état last year and since a few months ago, there had been signs of real progress in Pakistan. President Ayub is an extrovert, outgoing personality, who speaks well, loves sports (cricket, horseback riding) and very likeable. He has started a number of reforms such as housing for refugees who had fled from India at the time of partition. In the last five months President Ayub had succeeded in putting up some 35,000 new dwellings, many of them formed into nice new villages. The refugee people were gradually being moved from huts made of sticks and mud—a deplorable kind of squalor—into better homes and communities with new dispensaries and schools and other facilities. President Ayub is also developing a new constitution. He realizes that the vast majority of his people are not yet ready for full representative government, but knowing that the villages know who the good men are, he is giving universal suffrage for village elections. The next echelon of government, however, would be elected by the head men of the villages, and so on up until a parliament is formed and the parliament would then pick a president. President Ayub had said his hope was that as soon as he could educate his people better they could gradually go on to universal suffrage on a national scale and in some decades all the people should be able to vote for their top officials.

“So, the President said, while some of our starry-eyed and academic types of liberals criticized General Ayub when he seized power by a military coup, one can see everywhere in Pakistan improvements and a quite happy attitude. This was demonstrated by the huge crowds of friendly people who turned out in Karachi to welcome President Eisenhower. In addition, the whole Pakistani nation was strongly anti-Communist and that alone was enough to make President Eisenhower very fond of it.” (Memorandum of conversation by William N. Fraleigh; Department of State, Conference Files: Lot 64 D 560, CF 1521)

Eisenhower commented on his visit to Pakistan in his memoir, *The White House Years: Waging Peace, 1956–1961* (Garden City, NY: Doubleday, 1961), pages 494–496.

378. Telegram From the Department of State to the Embassy in Pakistan¹

Washington, January 26, 1960—6:11 p.m.

1789. FYI. USG has reviewed Ayub's requests to President for F-104 aircraft [*less than 1 line of source text not declassified*] and Nike-Ajax [*less than 1 line of source text not declassified*] and Sidewinder missiles (Embtel 1682² and previous) in light policy adopted by NSC August 1959³ and guidance contained OCB Pakistan Operations Plan, December 1959.⁴

Policy and guidance continues provide in essence that U.S. will continue extend military aid to Pakistan beyond fulfillment of 1954 commitment but will confine aid to "limited modernization" (i.e., replacement of obsolete or worn-out equipment). U.S. should not accede to GOP requests for major force modernization.

Above policy was adopted as culmination exhaustive inter-agency study and recommendations approved by Under Secretary (including separate costing study by DOD) which examined in depth political, economic, financial and technical problems of future military aid to Pakistan.⁵

USG cannot now accede to Ayub requests (excepting Sidewinders) without contravening this policy of gradual limited modernization. Change of policy would require overriding considerations not now evident. This connection, while recognizing basis Ayub's concern over pressures from North it seems unlikely Pakistan would be subjected in near future to overt military aggression on scale justifying revision U.S. military aid policy and program accelerated modernization Pakistan forces. In present circumstances best way for Pakistan to acquire additional increment political, economic and military strength to resist communist pressures is for commendable trend Indo-Pakistan rapprochement to continue. Resources both countries can then concentrate on internal development and face communist threat rather

¹ Source: Department of State, Central Files, 790D.5622/1-1860. Secret; Limit Distribution. Drafted by Poullada on January 22; cleared in draft form with G, U/MSC, and OSD/ISA, and in final form with Goodpaster; and approved by G. Lewis Jones. Repeated to New Delhi.

² In telegram 1682, January 18, Ambassador Rountree asked the Department to reconsider Ayub's request for F-104 aircraft, which, he had learned from MAAG officials, had been rejected by the Department of Defense. Langley suggested that this matter be considered again, especially in view of Eisenhower's promises to Ayub during their meeting in Karachi. (*Ibid.*, 790D.5622/1-1860)

³ Reference is to NSC 5909/1, Document 6.

⁴ Dated December 2. (Department of State, S/S-OCB Files: Lot 62 D 430, Pakistan)

⁵ See Document 359.

than oppose each other. Any substantial increase in U.S. military aid to Pakistan at this time more likely hinder than help present favorable trend.

In view above it will be necessary in near future inform Ayub that USG cannot at this time go beyond continuing support present level MAP forces plus gradual limited modernization. At same time Ayub would be informed favorable decisions to furnish Sidewinders and to equip B-57 bombers with radar bombsight (8 now programmed FY 60 MAP) in order impress on him U.S. sincere intention assist gradual modernization Pakistan forces. Decision as to timing and specific content proposed reply to Ayub will be subject later message. End FYI.⁶

Herter

⁶ On February 9, Ambassador Ahmed called on Assistant Secretary Jones. After discussing several other matters, the Ambassador stated that he was under instructions from his government to inquire whether the furnishing of F-104 aircraft and Sidewinder missiles to Pakistan was being reconsidered by the U.S. Government as a result of President Ayub's request to President Eisenhower. Jones assured him that as a result of Eisenhower's conversation with Ayub the question [*less than 1 line of text not declassified*] was being restudied and that the Department hoped to give Ayub an answer very soon. (Memorandum of conversation by Poullada; Department of State, Central Files, 790D.5-MSP/2-960)

379. Telegram From the Department of State to the Embassy in Pakistan¹

Washington, February 19, 1960—8:51 p.m.

2041. For Ambassador Rountree. Further to Deptel 1789 to Karachi,² 2850 to New Delhi, you authorized earliest opportunity not before February 25 convey following to Ayub. Suggest you make oral presentation and present Aide-Mémoire drawing on following points plus any additional ones you deem appropriate:

1. Ayub's request to President for [*less than 1 line of source text not declassified*] weapons (Embtel 1682)³ carefully considered by USG. Examination involved balanced consideration political, economic, military, technical and financial factors.

¹ Source: Department of State, Central Files, 790D.5-MSP/2-1960. Secret; Limit Distribution. Drafted by Poullada and Spengler; cleared with Bell, Raymond G. Hare, and OSD/ISA; and approved by G. Lewis Jones. Repeated to New Delhi and London.

² *Supra.*

³ See footnote 2, *supra.*

2. USG shares GOP concern for security Pakistan in face communist pressures on sub-continent and again assures GOP that security Pakistan of highest importance to USG. This security however well protected by present excellent Pakistan military establishment buttressed by collective security arrangements plus assurances U.S. support contained in American Doctrine, U.S.-Pakistan bilateral agreement and specific commitment in U.S. note of April 15, 1959 (Embtel 2328).⁴

3. Further evidence USG's concern for Pakistan's security is continuation military aid beyond 1954 commitment. Such aid designed help maintain present high standards Pakistan forces and provide orderly, gradual improvements as obsolete or worn-out equipment is replaced. Aid will necessarily take into account absorbtive capacity Pakistan armed forces as well as financial limitations both Pakistan and U.S.

4. To demonstrate U.S. sincere intention support Pakistan forces, U.S. prepared do following:

a. *October 1954 Commitment*—Complete this by providing inter alia aircraft for bomber squadron and certain naval vessels.

b. *Sidewinders*—Include Sidewinders in FY 1960 MAP thus materially increasing capabilities F-86's. MAAG prepared discuss details programming, delivery, etc. DOD prepared send USAF team to Pakistan June for preliminary orientation in maintenance and utilization.

c. *Radar Bombights*—Provide these for B-57 bombers commencing with eight aircraft in FY 1960 MAP.

5. In addition our future plans include continuation programs to assist Pakistan military with consideration of following categories subject to congressional appropriations.

a. *Tanks*—Further progressive modernization of tank requirements.

b. *Air Transport Squadron*—Give sympathetic consideration to provision, at appropriate time, suitable replacements for PAF transport squadron.

c. *M-14 Rifle M-60 Machine Gun*—In light Pakistan intense interest these weapons U.S. prepared make available drawings and specifications provided it clearly understood that U.S. not prepared extend financial aid for manufacture these weapons in Pakistan. This connection wish stress that commercial mass production these weapons has not yet proceeded to point that drawings and manufacturing processes finalized. After thorough study, U.S. has concluded manufacture these weapons in Pakistan uneconomic and impracticable. Believe GOP will arrive same conclusion after study. As alternative GOP may wish consider requesting under future MAP provision M-1 rifles at nominal costs.

⁴ See footnote 6, Document 348.

6. USG regards provision F-104s premature for following reasons:

a. Although recognized that eventually F-86s will require replacement by higher performance aircraft, increased capabilities F-86s equipped with Sidewinders reduces need replace them now.

b. Cost F-104s (about \$40 million for 30 planes with spares plus very substantial yearly maintenance) would place excessive financial burdens on U.S and GOP at time when latter husbanding its resources in laudable effort economic development.

c. Stringency military aid funds means F-104s could be supplied only at cost disrupting present orderly program for strengthening overall Pakistan defenses and subordinating basic needs both ground and air forces.

d. Introduction new type aircraft at this time would further complicate effort improve logistic and maintenance capabilities PAF, particularly at time it must absorb jet bombers and Sidewinders.

e. U.S. military aid to Pakistan not dependent on attitude third countries. There is risk provision F-104s to Pakistan would tend increase Indo-Pakistan tensions when countries coming closer together and important Indus dispute nearing solution. Would also tend increase likelihood general public criticism military aid in U.S. which might react to detriment our basic program in Pakistan.

7. For same reasons stated Paragraph 6 above, USG unable this time give favorable consideration other advanced weapons mentioned by Ayub to President.

8. Re informing GOI on Sidewinders (Deptel 1973 to Karachi,⁵ 3128 to New Delhi, and Karachi's 1942,⁶ Ambassador should discuss matter frankly with Ayub, pointing out USG considers it advisable at early date inform GOI in general terms our decision provide Sidewinders to Pakistan and reasons therefor. Ambassador should stress fact that, since decision represents introduction missiles for first time in South Asian area, frank explanation to GOI essential in order forestall possible adverse impact on current favorable trend in Indo-Pakistan relations if, as seems likely, GOI should learn independently of Sidewinder program. Ambassador should however endeavor persuade Ayub inform GOI himself with object encouraging Indo-Pakistan mili-

⁵ In telegram 1973, February 12, the Department of State noted that it considered it desirable to reply to Ayub about February 25 along the lines of telegram 1789 to Karachi, and suggested the possibility of asking Ayub to inform the Indian Government of Pakistan's purchase of the Sidewinders. (Department of State, Central Files, 790D.5622/2-1260)

⁶ In telegram 1942, February 18, Ambassador Rountree offered his views regarding the question of how to inform the Indian Government of the U.S. decision to furnish Sidewinders to Pakistan. "Requesting Ayub tell GOI in hopes this would initiate exchange significant military information may be forcing pace with respect to Pakistan-Indian relations," he stated in part. "No evidence here either side would now be willing make such exchanges." (*Ibid.*, 790D.5612/2-1860)

tary cooperation and possibly initiating exchange pertinent information. By being forthright, GOP and USG would be in stronger position retain confidence GOI.

Reply soonest on Ayub's response for foregoing approach in order enable Department instruct New Delhi on manner and timing of announcement to GOI. Request New Delhi expedite reply Deptel 3128.⁷

Herter

⁷ Footnote [23½ lines of text] not declassified.

380. Telegram From the Department of State to the Embassy in Pakistan¹

Washington, March 3, 1960—7:26 p.m.

2171. Para 6 of Deptel 2041² may be replaced by following in your presentation to Ayub:

Approximately ten F104s with spares will be placed in FY61 program for Pakistan. Programming details will be furnished MAAG by USAF. Training will be subject further communication to MAAG but obviously will have to commence soon.

Cost will not be deducted from remainder Pakistan program.

USG believes Ayub will share its concern over sensitivity this part of program in terms Pak-Indian and Pak-Afghan relations and its belief it sure to stimulate premature demand by Shah for similar aircraft although F-86s only now being programmed into IIAF. Accordingly USG prefers foregoing info regarding F-104s be confined to highest levels GOP for time being.

You may indicate in your presentation that favorable decision USG provide F-104s based on Pakistan's special military requirements.

Dillon

¹ Source: Department of State, Central Files, 790D.5622/3-360. Secret; Niact; Limit Distribution. Drafted by Parker T. Hart and Admiral Grantham, and approved by Dillon.

² *Supra*.

381. Telegram From the Embassy in Pakistan to the Department of State¹

Karachi, March 5, 1960—7 p.m.

2070. At meeting yesterday with President Ayub in Rawalpindi, I discussed military aid as authorized Deptel 2041 and 2171,² leaving aide-mémoire copy of which will be pouched.³

When I completed review of what we prepared to do, ending with statement that US unable at this time give favorable consideration other advanced weapons mentioned by Ayub to President Eisenhower, Ayub said he extremely grateful for what I had told him. He said he knew these decisions were the result of President Eisenhower's personal interest and he asked me to convey to President Eisenhower his appreciation.

I am sending separate message repeated to New Delhi concerning notification to India re Sidewinders.⁴

Ayub was particularly grateful for information concerning F-104s. I told him MAAG would be prepared soon discuss training which should commence in near future. I mentioned sensitivity this program in terms Pakistani-Indian and Pakistani-Afghan relations and fact it might stimulate premature demand by Iran for similar aircraft. I therefore asked that information regarding F-104's be confined highest levels GOP for time being. President immediately agreed, but said he assumed arrangements would soon have to be made for receipt of aircraft and training which would involve knowledge by a good many people. I said we understood this but that close secrecy should be maintained at this stage and until it becomes necessary as practical matter to extend knowledge. I emphasized decision to provide F-104's based upon Pakistan's special military requirements.

While repeating his appreciation for decisions communicated, President said that reasonable military requirements should include some of the other items requested such as ground-to-air missiles. He said, however, that while he badly wanted these and earnestly wished that we were in a position to provide about 25 F-104's he would not press these requests.

I assume instructions will soon be received Embassy and MAAG concerning next steps re F-104's.

Rountree

¹ Source: Department of State, Central Files, 790D.5612/3-560. Secret; Limit Distribution.

² Document 379 and *supra*, respectively.

³ This aide-mémoire was transmitted to the Department as an enclosure to despatch 787, March 7. (Department of State, Central Files, 790D.5-MSP/3-760)

⁴ *Infra*.

382. **Telegram From the Embassy in Pakistan to the Department of State**¹*Karachi, March 5, 1960—8 p.m.*

2071. Re Deptel 2041 repeated New Delhi 3231.² I informed President Ayub in Rawalpindi yesterday of decision provide Sidewinders. I stated MAAG prepared discuss details of programming, delivery, et cetera, and said DOD prepared send USAF team to Pakistan for preliminary orientation in maintenance and utilization.

I discussed with President sensitivity of matter vis-à-vis Pakistani-Indian and US-Indian relations. I said USG considered it advisable at early date inform GOI in general terms our decision provide Sidewinders, and reasons therefor. We thought frank explanation to GOI essential in order forestall possible adverse impact on current favorable trend Indo-Pakistani relations. This would be much better than having Indians learn independently of program. I stated we felt President might see merit in himself informing GOI, since this would be appreciated by GOI and might encourage Indo-Pakistani military cooperation, and possibly an exchange of information.

President said he could understand US would not wish Indians to learn of program except directly. He did not think they should be unduly excited, since GOP aware India was negotiating with UK for ground-to-air and air-to-air missiles. This was understandable since India faced a real danger in Communist China and it was natural that India should wish to improve its defenses. He hoped India also understood Pakistan's problem, since it must be in position to strike back if hit. However, President said he would prefer not inform Indians himself but thought this could best be done by US. He urged that in informing India we not be apologetic. He emphasized: "Don't make them feel that you owe an explanation to them for military assistance which you give your allies". He also commented that any apparently apologetic approach would almost certainly result in Indian pressure for increased economic assistance in order to compensate them for military expenditures which they would claim were the result of US military aid to Pakistan.³

Rountree

¹ Source: Department of State, Central Files, 790D.5612/3-560. Secret; Priority; Limit Distribution. Repeated to New Delhi.

² Document 379.

³ In telegram 2095 from Karachi, March 8, Rountree reported that Air Marshal Asghar Khan came to see him to convey a message from Ayub Khan. The President, Asghar Khan indicated, hoped that the United States did not intend, at least at that time, to inform India of the decision to provide the F-104 aircraft to Pakistan. Rountree replied that the United States would not inform India of the F-104s without first

Continued

383. Telegram From the Department of State to the Embassy in Pakistan¹

Washington, March 14, 1960—7:25 p.m.

2247. Karachi's 1964² and 1999.³ In Finance Minister Shoaib's visit February 24 to March 8 he focused attention on Pakistan economic problems in discussions with Dillon, Jones, Bell, and Martin (E) in Department; Cabinet members Anderson, Benson, and Mueller; heads ICA, DLF and Exim; and Irwin in Defense.⁴

Besides topics in reftels Shoaib stressed (to Dillon) unresolved vital questions in Indus settlement noting Indian desire for nearly 10 million acre feet water from Western rivers plus dams on upper reaches and lack of agreed program for transition period. Told Jones generally understood that US and other aid to Indus should be additive to "normal"; Dillon in reply to similar statement said one possible source additional assistance might be sale of grain stored in Pakistan.

Shoaib urgently requested Jones help obtain last year's Defense Support level (\$95 mil) and received Dillon's promise to consider possibility increase out not before June when amount of funds remaining could be determined. Conversation with Mueller included discussion difficulties still faced by private investors.

Jones and others impressed by Shoaib's sincerity and rationale of presentation and his ability to guide Pakistan through difficult economic adjustment period.

Herter

discussing the matter with Pakistan. (Department of State, Central Files, 790D.5622/3-860)

In telegram 679 to Kabul, March 12, the Department explained the decision to supply Pakistan with the F-104s. (*Ibid.*, 790D.5612/3-1260)

On March 14, Ambassador Edward T. Wailes informed the Shah of Iran in confidence that the United States was considering delivering a few F-104s to Pakistan. The Shah received the news "very calmly." (*Ibid.*, 790D.5622/3-1560)

¹ Source: Department of State, Central Files, 790D.5-MSP/3-1460. Confidential. Drafted by Wilcox, cleared in substance with the Department of Commerce, and approved by Spielman. Repeated to New Delhi, Dacca, and Lahore.

² Telegram 1964, February 23, reported the topics that Shoaib intended to raise during his upcoming trip to the United States including: the proposed Indus Waters treaty, Pakistan's requirement for counterpart funds, its balance-of-payments problem, and the outlook for private sector development. (*Ibid.*, 790D.5-MSP/2-2360)

³ Telegram 1999, February 26, a joint Embassy-USOM message, recommended that every effort be made now to restore the fiscal year 1960 Defense Support figure for Pakistan to \$95 million. (*Ibid.*, 790D.5-MSP/2-2660)

⁴ A memorandum of Shoaib's conversation with Dillon on March 3, drafted by Spielman, is *ibid.*, Secretary's Memoranda of Conversation: Lot 64 D 199. Memoranda of the other conversations which are referred to in this telegram have not been found.

384. Letter From the Officer in Charge of Pakistan–Afghanistan Affairs (Poullada) to the Special Assistant at the Embassy in Pakistan for Mutual Security Affairs (Linebaugh)¹

Washington, March 14, 1960.

DEAR DAVE: Your letter to Evan Wilson dated February 2,² a copy of which you so kindly sent me, raised some very interesting questions regarding our military and economic aid to Pakistan. I am, of course, deeply interested in these questions and I would like to make the following comments:

Regarding military aid—You will recall that the initiation of military aid to Pakistan in 1954 was somewhat precipitate. There were compelling political reasons for establishing a northern tier of defense against the danger of militant communist expansion into its periphery. It is now fairly clear that whereas we predicated our military aid on the communist threat, the Pakistanis were anxious to receive it principally in order to strengthen their position against India. Thus the program from its inception was based on somewhat divergent motivations by the parties to the contract. This is not to say that the program was necessarily a mistake. I believe careful judgments went into the decision and that certain disadvantages were foreseen. Certainly our diplomats in India raised the alarm by pointing out the probable negative reaction in that country. I do believe that neither the depth nor duration of Indian sentiment were foreseen accurately. The economic burden on Pakistan, not only from direct expenditures in support of its military budget but in wasteful competition with its partner in the sub-continent, was underestimated.

So much for the background. More recently public and governmental attitudes in the U.S. towards the nature of the communist threat have altered and there is much less fear now of physical communist aggression and much more awareness of its capabilities for economic and political subversion. Our attitudes toward India have also changed. There is much more acceptance now of the neutralist position than was the case in 1954. Particularly we have become keenly aware of the fact that unless Pakistan is to remain forever a pensioner of the U.S. it must achieve at least a substantial measure of economic sufficiency. We have also come to believe (along with General Ayub) that the Indian sub-continent cannot be adequately defended militarily nor can it progress economically and politically so long as India and Pakistan are at swords' point.

¹ Source: Department of State, SOA Files: Lot 63 D 308, General. Secret; Official–Informal. A copy of this letter was sent to Evan Wilson of S/P.

² Not found.

These considerations can be summarized by saying that we have now come around to a position where our policy toward South Asia, in so far as Pakistan is concerned, has three principal objectives which to some extent derogate from each other. These are:

1. To strengthen South Asia by encouraging political and economic harmony between India and Pakistan.
2. To develop Pakistan's economy towards self-sufficiency as rapidly as possible.
3. To maintain in Pakistan a modest but efficient military establishment which will give us adequate political leverage with Pakistan's leaders. It is also of some importance to us as an instrument for maintaining political stability in the country and for limited deterrence of communist aggression.

As you know, about two years ago the Department began to give serious thought to implementing these objectives so as to achieve them with the least possible amount of friction. The first step was to try to get some hard facts on the economic implications of the Pakistan military aid program. It was realized that the fulfillment of the 1954 commitment would require some difficult policy decisions by the U.S. regarding the future of military aid to Pakistan. The DOD costing study revealed some rather alarming facts. Among other things it concluded that, maintaining the Pakistan military establishment could cost the U.S. as much as \$440 million per year depending on the size and composition of forces to be supported. This, of course, presupposed a substantial build-up. However, based on doing nothing more than maintaining normal modernization of the 1954 commitment forces, the U.S. should have to supply between \$124 to \$134 million a year. In addition, the internal burden on the Pakistan budget would rise proportionately. These alarming figures were taken into account by the Working Group study with which you are familiar and which made certain recommendations on future U.S. military aid to Pakistan to the Under Secretary. These recommendations were later embodied in the NSC policy which provides that we continue military aid to Pakistan but limit it to "gradual limited modernization". This compromise policy was formulated in an attempt to meet all three major objectives mentioned above to the greatest extent possible.

It was also realized that any additional major force modernization of Pakistan's military forces would probably impede a rapprochement with India and would stimulate the arms race which had developed with that country. In the meantime, as you know, public and Congressional reaction to military aid to Pakistan had become very negative. It has become increasingly difficult to obtain funds not only for military hardware but also for the Defense Support which helps carry the burden generated by additional armaments. The policy which evolved, I believe, is a sound one and accords with the realities of the

situation. The gradual modernization of the Pakistan forces is to continue by the natural process of replacing equipment as it becomes obsolete or wears out. This is a position which I believe can be staunchly defended before the Congress and the American people on the basis that it would be foolhardy to permit deterioration of our substantial investment. At the same time the modernization is of a gradual nature and will minimize the reaction in India. (*Objective 1* above) It does not follow that, if Indo-Pak relations continue to improve, this type of modernization would cease as implied in your letter to Evan Wilson. I believe it oversimplifies the problem if we say "they can't have modernization before rapprochement with India and they can't have modernization afterwards because it won't be needed". It is not this kind of black and white situation. I also believe that if we can adhere to the present policy the possibility of concentrating our own and Pakistan's resources in economic development (*Objective 2*) becomes more hopeful.

I admit that the question still remains whether this policy is politically tolerable to the present regime in Pakistan, but I believe that a very convincing case can be made for it and we can only hope that Pakistan in its own major self-interest will see the wisdom of it. Dealing as we are with a regime whose roots of power are in the military establishment, it is clear that we have to walk on a tightrope if we are to succeed in *Objectives 1 and 2* without jeopardizing *Objective 3*. I believe our recent actions clearly demonstrate that *Objective 3* still looms large in our policy implementation.

There still remains the question of providing Pakistan the arms to meet the possibility of external threat to its security. I believe we can all agree that India has no foreseeable intention of attacking Pakistan. The Pakistanis are now stressing the threat of Communist China and of possible Soviet aggression through Afghanistan. If, in our opinion, this poses a real and imminent threat we should no doubt have another look at our policy to determine its adequacy. I cannot sincerely convince myself that the Chinese Communists are going to launch any large-scale invasion of Pakistan. Overflights of remote parts of Pakistan, and perhaps even small probing actions along undemarcated frontiers, may occur. But it seems to me that Pakistan's forces are already sufficiently well equipped to handle these situations and in any case it seems very doubtful whether this type of incursion could justify a premature large-scale build-up of Pakistani forces. A similar evaluation could be made about Afghanistan. The Afghans themselves could hardly, at this time, launch an effective attack against Pakistan even should they wish to do so, which I doubt. The Soviets would move through Afghanistan only in the context of an all-out effort to reach warm water which undoubtedly would precipitate reaction on a global scale. It would seem to me that the Pakistanis could well afford

to consider their territorial integrity protected from large-scale aggression by the umbrella of their various security pacts and by the forthright commitments they have already obtained from the U.S. Operating behind this shield they could then concentrate their energies and resources on the paramount tasks of achieving economic development and political stability. In a sense, this is what the U.S. did in its early history, developing its resources protected by two oceans and defended by the protective screen of the British fleet. Japan's present spectacular economic recovery is also based on this idea of letting the U.S. carry its military burden directly.

I believe what I have already said may have thrown some light on the problem of economic aid that you raised in your letter. The question of determining at what stage a country can achieve self-generated economic growth is one which economists can debate at some length. We are only now coming around to this concept in dealing with India and Pakistan. My own feeling is that the self-generating stage is a relative term and that no one can say at any particular moment whether and when this stage has been reached. I think that there is a growing realization here that much more will have to be done in both India and Pakistan before we can even seriously begin to talk about tapering off assistance to these two countries.

As you know the so-called Mansfield Amendment to the Mutual Security Act requires a report to the Congress giving estimates on when grant aid could be terminated in various countries.³ Under separate cover I am sending you a copy of this report and you will note that Pakistan is one of the five countries singled out as presenting [a] serious problem in this respect. The report concludes that:

"In the light of our objectives, the situation in Pakistan affords no usable basis for projecting specific future reductions in Defense Support."

"On the showing of the past several years, and on an analysis of the economic data at hand, Pakistan might need somewhat larger amounts of capital assistance from abroad in the future in order to make adequate economic progress."

I hope the views expressed here will shed some light on the questions you raised. I would certainly like to have your further comments and suggestions. I am taking the liberty of sending a copy of this letter to Evan Wilson who will probably want to add his comments in a separate communication.⁴

³ P.L. 86-363, approved September 28, 1959. (73 Stat. 719)

⁴ David Linebaugh replied in an April 14 letter to Poullada. He stated that he agreed with the principal thesis of Poullada's letter: that there should be no large buildup of Pakistani forces. Linebaugh emphasized that the United States should not expect any reduction in force levels in Pakistan. "Any attempt on our part to obtain a reduction would be abortive and would be deeply resented by the Pakistanis because it would

Sincerely yours,

Leon B. Poullada⁵

strike at a manifestation of sovereignty and independence which they share with almost every other government in the world, including their Indian neighbors.” (Department of State, SOA Files: Lot 63 D 308, Official–Informal Correspondence)

⁵ Printed from a copy that bears this typed signature.

385. Telegram From the Department of State to the Embassy in Pakistan¹

Washington, March 30, 1960—2:26 p.m.

2378. Re: Delhi's 3215 to Department² rptd Karachi 226, and Karachi's 2269 to Department³ rptd New Delhi 279. Department concurs Ambassador Bunker's recommendation that GOI be informed simultaneously re F104s and Sidewinders. In order minimize possibility leak, Department hopes Ambassador Rountree will discuss matter with President Ayub not later than April 8 if no earlier date possible. Approach to Ayub should be along same lines as for Sidewinders, Deptel 2041.⁴ Problem should be discussed with utmost frankness with Ayub and unless he raises objections which you judge to be of compelling importance he should be told USG considers it essential Indians be informed earliest in order avoid possibility they learn of U.S. decision re F104s through own intelligence sources. In such case Dept desires no doubt be left in Ayub's mind that although we willing GOP communicate without delay to GOI decision re F104s, if he declines U.S. intends do so immediately. Following discussion with Ayub, Ambassador Rountree should communicate directly with Am-

¹ Source: Department of State, Central Files, 790D.5612/3–2860. Secret; Limit Distribution. Drafted by Poullada and approved by G. Lewis Jones. Also sent to New Delhi as telegram 3839.

² In telegram 3215, March 25, Bunker recommended that India be notified simultaneously of the U.S. decision to provide Pakistan with F–104s and Sidewinders. (*Ibid.*, 790D.5612/3–2560)

³ In telegram 2269, March 28, Rountree noted that he had an appointment with Ayub for April 8. He stated that he earnestly hoped that there would be no leaks regarding the F–104s or the Sidewinders at least until India was informed. (*Ibid.*, 790D.5612/3–2860)

⁴ Document 379.

bassador Bunker who upon receiving affirmative message may proceed immediately inform GOI.⁵

Herter

⁵ In telegram 4 from Murree, April 8, Rountree stated in part: "Although President Ayub not happy that we should feel it necessary inform Indians, he said he would leave matter to us. Accordingly, it will now be in order for Ambassador Bunker to tell GOI about F-104's." (Department of State, Central Files, 790D.5622/4-860)

386. Editorial Note

On April 11, the United States and Pakistan concluded a new agreement under Title I of Public Law 480. Under the agreement, the United States agreed to provide Pakistan with approximately \$72.2 million worth of wheat and wheat products and ocean transportation. The agreement, which was effected by an exchange of notes, was signed in Karachi by Ambassador Rountree and Finance Minister Shoib; for text, see 11 UST (pt. 2) 1352. Documentation on the negotiation of the agreement is in Department of State, Central File 411.90D41.

387. Telegram From the Embassy in India to the Department of State¹

New Delhi, April 13, 1960—7 p.m.

3441. In accordance with Deptel 3839² and following receipt Ambassador Rountree's message (Murree 4 to Department)³ I saw Commonwealth Secretary M.J. Desai Tuesday afternoon, April 12. I began by recalling to him President's statement re desirability continued improvement Indo-Pakistan relations and assuring Nehru that US arms would not be used against India. In line with our desire to foster

¹ Source: Department of State, Central Files, 790D.5612/4-1360. Secret; Limit Distribution. Repeated to Karachi.

² Printed as telegram 2378 to Karachi, Document 385.

³ See footnote 5, Document 385.

mutual understanding I told him I had come to tell him frankly that US planned to provide Sidewinders to Pakistan for their present planes in order to modernize already existing equipment. I emphasized that these were defensive, inexpensive weapons needed to enhance Pakistan aircraft efficiency. I mentioned that US was not only country producing these weapons, as UK and others were producing similar type.

Stressing modernization needs of Pakistan in face of such developments as January-February over-flight of Pakistan territory by Soviet planes having high ceiling capabilities, I also informed Desai US providing ten F-104's.

Desai heard me through without comment. When I finished he replied that he felt reaction in India will be very strong, not because of any question re US motives or even about improved status of Pakistan military strength vis-à-vis India. Rather he thought Prime Minister Nehru's reaction would be same as his, which was that this move will make Pakistanis more difficult to deal with. He recalled that he had told Bartlett (Embtel 3319)⁴ as well as me that he had noted signs of hardening Pakistani attitude in past few weeks. He then detailed to me specific examples of this in Canal waters negotiation which will be reported separately. He expressed the view that this development might well have resulted from our action. This added to the anxiety he had, and was sure Nehru would share, about our action.⁵

Bunker

⁴ Dated April 4. (Department of State, Central Files, 690D.91/4-460)

⁵ On April 22, Merchant informed Irwin that the Indian Government had been informed of the U.S. decision and it was therefore "appropriate for the Department of Defense to proceed with programming, in the normal classified fashion, the military items which have been offered to Pakistan." (*Ibid.*, 790D.5622/4-2260)

**388. Memorandum of a Conversation, Department of State,
Washington, June 2, 1960, 5:45 p.m.¹**

SUBJECT

Call by Pakistan Foreign Minister Qadir on the Secretary: The U-2 Incident and Soviet Pressures on Pakistan

¹ Source: Department of State, Central Files, 033.90D11/6-260. Secret; Limit Distribution. Drafted by Hart on June 7. The source text indicates that the conversation took place in the Secretary's office. Qadir was in Washington for the sixth Ministerial Meeting of the SEATO Council, May 31-June 2. Four separate memoranda of Herter's conversa-

PARTICIPANTS

The Secretary

H. E. Manzur Qadir, Foreign Minister of Pakistan

H. E. Aziz Ahmed, Ambassador of Pakistan

Mr. M. Ikramullah, Foreign Secretary of Pakistan

Mr. Parker T. Hart, NEA

Foreign Minister Qadir opened the conversation by congratulating the Secretary on his skillful guidance of the SEATO proceedings. He remarked that today's meeting had been very good and most interesting. The Secretary agreed. Qadir remarked that the Philippine delegate had made some excellent points. He did not think that Nash² had meant to be offensive. The Secretary emphatically concurred. Both agreed that Thanat³ had overdone his reply to Nash's comments.

Minister Qadir said that he had a list of topics which he had wished to raise with the Secretary. The first, of course, was the U-2 incident.⁴ At the time of the occurrence he was in London and felt that for security reasons it would be best not to say too much in his instructions to Ambassador Ahmed. Ciphers could be so easily compromised. When he had received Ambassador Ahmed's report of his meeting with the Secretary of May 11 (actual meeting day was May 12)⁵ in which he understood that the Ambassador emphasized to the Secretary the U.S. obligation of giving notice to Pakistan under Mutual Security arrangements, he feared that the Ambassador had "overreached himself" a little. He hoped that the Secretary would understand. The Secretary indicated that he understood perfectly and reminded Qadir that he had informed the Ambassador that the Department had already been in touch with President Ayub in London, and that he had told the Ambassador that any results of the investigation which Ayub had announced would take place with respect to the over-flight would be backed up by the U.S. Government. (*Note:* There was no mention made of the misunderstanding between the GOP and

tion with Qadir were prepared by Hart. The second memorandum, which covered Pakistan's military aid requirements and the problem of neutralism, is *infra*. The other two memoranda, which covered Pakistan's relations with Afghanistan and Pakistan's relations with India, are in Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Herter was briefed for this meeting in memoranda from G. Lewis Jones and James M. Wilson, Jr., both dated June 2. (*Ibid.*, 790D.5-MSP/6-260)

² Walter Nash, New Zealand Foreign Minister.

³ Thanat Khoman, Thai Foreign Minister.

⁴ The Soviet note of May 10 regarding the May 3 shooting down of the U-2 airplane piloted by Gary Francis Powers alleged that the airplane was "sent through Pakistan into the Soviet Union with hostile purposes." The full text of the Soviet note is printed in Department of State *Bulletin*, May 30, 1960, pp. 852-854.

⁵ A briefing paper for Secretary Herter from Hart, May 12, is in Department of State, SOA Files: Lot 63 D 110, U-2 Incident.

the USG as to whether the aide-mémoire of May 14 by the Embassy of Pakistan to the Department constituted a "protest".)⁶

Remarking that the U.S. Government had its own "cover story" and that he did not wish to go into that subject, Qadir stated that he desired to discuss Soviet pressures and the form they were taking against Pakistan. The USSR for some time had been charging that Pakistan had afforded bases to the U.S. military. Initially the USSR alleged that these were rocket bases and this accusation was maintained throughout 1959. Soviet Ambassador Kapitsa had sought an interview with Qadir for the purpose of expressing the USSR's disbelief in Qadir's denial that rocket bases had been given by Pakistan to the U.S. Government. His remarks were rather undiplomatic and Qadir found it necessary to respond that he could see little purpose for Kapitsa's call. If what Kapitsa was trying to say was that the USSR believed Qadir was lying, he could hardly expect Qadir to reverse himself at the Soviet request. If, on the other hand, he actually believed that Qadir was telling the truth, it served little purpose for Kapitsa to ask Qadir to change his story to serve the interest of the USSR.

Following the U-2 incident, the USSR adopted the line that Pakistan had afforded U-2 bases to the United States. Qadir recalled that at the recent Czech National Day reception in Moscow, Khrushchev had sought out the Pakistan Ambassador and taking him aside with the Afghan Ambassador had asked him, "Where is this place Peshawar? We have circled it in red on our maps". The Pakistan Ambassador had replied that it was in northern Pakistan. Addressing the same question to the Afghan Ambassador, the latter replied that it was in "occupied Pakhtunistan". Khrushchev said, "So, it is in occupied Pakhtunistan. You (Pakistan Ambassador) should report this back to your Government."

Qadir then recalled that earlier the Deputy Foreign Minister of the USSR, Pushkin, had called at Karachi and in a meeting with Qadir had urged that Pakistan draw closer to the USSR. Qadir had replied that this was quite possible as far as trade was concerned and even cooperation (on Pakistan's terms) in the exploitation of Pakistani oil or minerals was possible. However, Pakistan was not prepared to accept the Russian proposals of "cultural cooperation", since Soviet offers in this sphere were a cover for other purposes. When pressed by Pushkin to say why he was opposed to cultural cooperation, Qadir referred to the USSR stand on Pushtunistan expressed recently by Khrushchev in Kabul and Moscow,⁷ and the USSR stand on Kashmir. He asked why

⁶ A copy of the May 14 aide-mémoire is in the Eisenhower Library, Staff Secretary Records, International Series.

⁷ See Document 159.

the Soviet Union took these partisan positions without examining the merits of either case. Pushkin replied that Qadir could reckon for himself the dates on which the USSR took these positions and would see that they were taken "after Pakistan joined the Pact".

With reference to Soviet allegations of U.S. bases, Qadir wished to draw the Secretary's attention to the irresponsible support given to them by the American press. A *Newsweek* article in 1959 had referred to an American base in Pakistan. A very recent issue of *Newsweek* had included a large map purporting to show the base situation between the USSR and the Free World and had included Pakistan as providing a U-2 base to the United States.⁸ Ambassador Ahmed interjected that a recent "News of the Week" section of the *New York Times* had similarly portrayed Pakistan as a supplier of bases to the United States.⁹ Qadir emphasized that he, of course, fully understood the freedom of the U.S. press. This was altogether desirable particularly from the standpoint of U.S. internal affairs. However, freedom of the press had certain restrictions even in the United States; for example, against defamation and sedition. He had no suggestions to make but wished to draw the Secretary's attention to the problems which irresponsible articles raised in the realm of foreign affairs. (*Note*: Qadir carried out here the pledge which he made during his press conference of May 24 in Karachi, i.e., to draw the attention of the American authorities to the *Newsweek* article; Karachi's G-347.)¹⁰

⁸ *Newsweek*, May 23, 1960, p. 35.

⁹ *New York Times*, May 8, 1960, p. 1.

¹⁰ Airgram G-347, June 2, summarized the remarks made by Qadir during his press conference. (Department of State, Central Files, 761.5411/6-260)

**389. Memorandum of a Conversation, Department of State,
Washington, June 2, 1960, 5:45 p.m.¹**

SUBJECT

Call by Pakistan Foreign Minister Qadir on the Secretary: Pakistan's Military Aid Requirements and the Problem of Neutralism

¹ Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Secret. Drafted by Hart on June 7. The source text indicates that the conversation took place in the Secretary's office.

PARTICIPANTS

The Secretary

H. E. Manzur Qadir, Foreign Minister of Pakistan

H. E. Aziz Ahmed, Ambassador of Pakistan

Mr. M. Ikramullah, Foreign Secretary of Pakistan

Mr. Parker T. Hart, NEA

Following a discussion of the U-2 incident,² Foreign Minister Qadir stated that it was necessary to consider how to meet renewed Soviet pressures. He felt that they were sure to increase, much as Pakistan preferred to see a *détente*. The people of Pakistan were not too worried about these pressures and Ayub had answered a press question regarding them by asking in return, "Do I look like a frightened man?" Nevertheless, it seemed prudent to consider ways and means of meeting them. The United States would certainly come to Pakistan's aid in case of attack. However, it took time to bring effective help and it was always possible that help might arrive too late. He thought it would be worth while to increase Pakistan's military preparedness in her own territory.

The Secretary interjected that the two governments had already discussed the F-104s. Qadir agreed and said that he did not wish to get into military specifics which in any case would be discussed between specialists of the armed forces of the two countries. Perhaps a replacement of F-86s by the 104s was the appropriate solution. What he had in mind was that the military leaders of the two countries should sit down together and go over requirements and project a program which might take one or two years to fulfill.

Later in the conversation Qadir referred to the problem of neutralism. The Government of Pakistan and other governments cooperating in defense of the Free World, he said, understood that it was better not to be neutralists. However, the populace of Pakistan was asking why their country should take the "extra odium" of being in a Pact when there were so many advantages in a neutralist posture. While China (meaning Red China) by its recent actions had dampened the value of neutralism somewhat, there was need for us all to reappraise the problem which neutralism presented. The uncommitted peoples needed some kind of demonstration why neutralism was less preferable than a positive position in world affairs. The Secretary commented that this was indeed one of the most difficult questions which he faced in the conduct of U.S. foreign relations.

² See *supra*.

390. **Letter From the Under Secretary of State for Political Affairs (Merchant) to the Assistant Secretary of Defense for International Security Affairs (Irwin)**¹

Washington, June 4, 1960.

DEAR JACK: During his recent period of consultation in Washington our Ambassador to Pakistan, Mr. William M. Rountree, discussed with us in the Department several matters relating to United States military personnel in Pakistan. He also raised them during his call upon Mr. Knight on April 25, during your absence.² I write at this time to express the Department's support of Ambassador Rountree's recommendations on these matters, as outlined below.

The first of Ambassador Rountree's recommendations was to retain indefinitely the provisional prohibition against sending dependents to the USAF Communications Unit in Peshawar. As you know, this facility has been the target of propaganda attacks by the Soviet Union and Communist China, and has also been severely criticized by the governments and press of neighboring Afghanistan and India for bringing the "cold war" to South Asia. It has thus proved to be a source of some embarrassment and irritation to the Government of Pakistan. The community relations problems which might arise following the introduction of large numbers of dependents at Peshawar, as in similar situations in other parts of the world, would be susceptible of further exploitation by Pakistan's critics and might even jeopardize the very continuation of the Unit.

Moreover, the Peshawar facility happens to be physically situated very near Pushtun tribal territory and only about twenty miles from the Pakistan-Afghanistan border. This, as you know, is the territory in question in Afghanistan's so-called "Pushtunistan" dispute with Pakistan over which Afghanistan has been carrying on a virulent propaganda campaign. The Government of Pakistan has recently begun to take strong measures to counteract this propaganda and has prohibited until further notice all travel by foreigners within the nearby tribal territory of Pakistan. In Ambassador Rountree's judgment it would be a serious mistake to place Air Force dependents in this politically sensitive area in the foreseeable future. In his view responsible officials interested in the substance of the work performed by the Communications Unit should be aware of the dangers of sending the dependents to Peshawar.

¹ Source: Department of State, Central Files, 711.551/6-460. Secret. Drafted on June 1 by Spengler of SOA and William T. Carpenter, Jr., of NEA/NR, and concurred in by INR, SOA, NEA/NR, E/OFD/FN, L/MS, and L/SFP.

² No memoranda of these conversations have been found.

The second question also concerns dependents to Pakistan. It is our understanding that the Headquarters of the United States Air Force has recently agreed that a USAF training team of 36 officers and men should be sent to Pakistan to augment the Military Assistance Advisory Group there. The USAF is understood to be recommending that the additional personnel serve a normal tour (24 months) and be accompanied by dependents. Evidently, the team will be assigned in succession to Peshawar, Sargodha, and two airfields at Karachi for periods of three months each and thus will be away from Karachi, the permanent duty station, for much of its time in Pakistan. In view of the housing, schooling and other problems involved, as well as the planned utilization of the team and the over-all policy consideration of keeping the numbers of United States personnel in Pakistan to a minimum, Ambassador Rountree and the Chief of MAAG in Pakistan consider it undesirable to station the dependents of this team in Pakistan. Rather, it is the Ambassador's recommendation that the new personnel be assigned on a one-year unaccompanied basis.

Thirdly, the Ambassador has long believed that the use of U.S. dollar currency should be discontinued at the USAF Communications Unit in Peshawar. The Ambassador informed us that a Pakistani official recently called to the Embassy's attention the fact that the continued use of dollars by the Unit in Peshawar contravenes Pakistani currency regulations; at the time this official also expressed concern over the possibility that black market operations would develop in the Peshawar area, and inquired as to the adequacy of measures by U.S. authorities to prevent such a development. Ambassador Rountree is convinced that the adverse political consequences of possible black-marketing of dollars could seriously affect the present satisfactory relationship between the Unit and the Government of Pakistan.

As I indicated earlier, the Department supports Ambassador Rountree's recommendations, but does wish to note that its position that dependents should not be sent to the USAF Communications Unit in Peshawar is of course without prejudice of future reconsideration should circumstances change. I would appreciate knowing what actions might be taken by the Department of Defense with respect to these problems.³

Sincerely yours,

Livingston T. Merchant⁴

³ Irwin responded to Merchant in a letter of June 7, in which he stated that the Department of Defense believed it desirable to resolve the issue of dependents in Peshawar as quickly as possible and hoped to arrange a meeting shortly for that purpose. (Department of State, Central Files, 790D.5/6-760)

⁴ In a letter to Irwin of June 16, Merchant referred to a meeting that was held on June 9 and attended by [less than 1 line of text not declassified] himself and other officials of the Departments of State and Defense during which it was decided that, after consult-

391. Telegram From the Embassy in Pakistan to the Department of State¹

Karachi, July 5, 1960—4 a.m.

25. Following from Murree July 4, 11 am. For Hart. Reference: Department telegram 12,² which delayed in relay to Murree. As reported in my recent messages, GOP leaders and public feel Pakistan exposed to new dangers as result U-2 incident, and attach even greater importance than heretofore to US recognition security problems of its ally. While President and other officials highly appreciative US decision provide limited number F-104's and are not pressing for immediate delivery additional aircraft, they nevertheless extremely anxious obtain assurance total of 30 F-104's will be delivered as soon as they can be absorbed. I have no doubt that at this critical juncture US decisions with respect military aid Pakistan, and particularly decision re F-104's will have material effect on attitude GOP leaders toward effective and close cooperation with US in mutual security matters. I cannot say with certainty that our failure provide additional F-104's would result in prompt alteration GOP policy to detriment cooperation with US. However, I can say decision to provide additional planes would do much to strengthen their determination not to weaken as result recent developments. It would enhance their confidence in determination of US to stand behind Pakistan, a confidence badly in need of strengthening.

On the other hand, if additional 18 F-104's not to be additive to MAP balance our program would be seriously upset and important items for Pakistani Army would be displaced. I believe GOP would agree that would not be desirable, as army remains priority one in aid program. You will recall when original Asghar Khan study re F-104's received last August, MAAG Chief asked Secretary Ministry Defense importance satisfaction this requirement in relation other demands. Secretary Defense said F-104's should not alter program balance. I believe attitude GOP leaders remains fundamentally same.

ing Ambassador Rountree, "the Department of State would not object to a 'lean operation' whereby the USAF might station a limited number of dependent families at the Peshawar installation." Merchant noted that the decision, taken to increase the operational efficiency of the unit, would affect only key technical personnel. (*Ibid.*, 790D.56311/6-760)

¹ Source: Department of State, Central Files, 790D.5622/7-560. Secret; Niact.

² Telegram 12, July 2, captioned "for Ambassador from Hart," informed the Ambassador that the Department of Defense might not be able to earmark 18 additional F-104s for Pakistan. The telegram requested Rountree's assessment whether earmarking and delivering the additional aircraft was vital to maintaining good relations with Pakistan. (*Ibid.*, 790D.5622/7-260)

I earnestly hope it will be possible earmark additional 18 planes for Pakistan. Present general situation in Asia, which emphasizes extreme importance to US of maintaining firm attitude toward Pakistan, renders it vital to our security interest that we do everything possible retain GOP confidence in or determination to meet their security needs. In my judgment it would be a mistake, however, to provide these planes if it meant substantial disruption of our other program in military fields. I therefore strongly recommend that planes be earmarked for Pakistan and that means be found for financing them at least for most part over and above carefully balanced program now scheduled by MAAG.

Rountree

392. Editorial Note

In despatch 165 from Karachi, August 12, the Embassy assessed the record of the Ayub Khan regime during the first 6 months of 1960. In its introductory comments to this five-page despatch, the Embassy made the following comments:

“President Ayub has remained fully in control of Pakistan’s destinies during the past six months. Ayub’s prestige remains high, the Government continues to demonstrate considerable stability, and new economic and social targets have been set with the adoption of the Second Five Year Plan. Nonetheless, there have been some developments which are less favorable for the regime than at any time since it came to power in October, 1958. It has made some political blunders and a brief public debate on Pakistan’s future constitution revealed considerable opposition to Ayub’s constitutional concepts. Events elsewhere, especially in Turkey, contributed to a sense of uneasiness within Pakistan.

“There have also been some developments less favorable for the United States. Because of the U–2 episode and its aftermath, President Ayub and Foreign Minister Qadir, while not weakening their adherence to the alliance with the United States, expressed a diminution of confidence in America’s ability to act quickly, decisively, and competently in a crisis. Neutralist sentiment was expressed in some quarters and invidious comparisons were drawn about America’s aid program to its ally, Pakistan, and neutralist India and Afghanistan. The GOP looked for ways to relieve Soviet pressure—by urging us to be more forceful with the Soviets, on the one hand, and by asking the Soviets for technical aid on the other hand.” (Department of State, Central Files, 790D.00/8–1260)

393. Memorandum From the Assistant Secretary of State for Near Eastern and South Asian Affairs (Jones) to the Deputy Under Secretary of State for Political Affairs (Hare)¹

Washington, December 2, 1960.

SUBJECT

Memorandum of November 25 from Embassy of Pakistan Re Strengthening of Pakistan Defense

Attached is a memorandum handed to me on November 25 (Tab B)² by the Ambassador of Pakistan in which it is proposed that steps be taken to strengthen Pakistan's defenses because of an increase in the communist threat to Pakistan's security—particularly noticeable since the U-2 incident (May 1, 1960).

The memorandum refers to the talk between the President and the President of Pakistan on December 8, 1959, in which President Ayub said Pakistan's force goal should be raised.³ The memorandum likewise refers to similar suggestions made to the Secretary by the Foreign Minister of Pakistan in his conversation of June 2, 1960,⁴ and by the Ambassador of Pakistan in his conversation with me on July 2, 1960.⁵

The memorandum, in my opinion, contains very little new. It discusses the continuing and increasing threat of Soviet and Chinese Communist expansion but does not present convincing arguments that this threat affects Pakistan to a greater degree than it affects a number of other countries. Generally speaking, the facts and arguments in the memorandum have been fully considered in the course of our planning and do not reveal any problems new to the United States. It goes without saying that we must continue to assist Pakistan to maintain armed forces to defend its borders against the increasing danger of Sino-Soviet aggression, and that we must foster the conviction that we are a loyal ally.

The memorandum lists five principal points, on which NEA has the following comments:

(a) *Increased Russian hostility and suspicion directed specifically against Pakistan:* There was a sharp reaction at the time of the U-2 incident, but our information does not indicate that this treatment has

¹ Source: Department of State, Central Files, 790D.5/12-260. Secret. Drafted by Weil, Hart and G. Lewis Jones and concurred in by Bell.

² Not attached to the source text; it is *ibid.*, 790D.5/11-2560.

³ See Document 376.

⁴ See Document 388.

⁵ Reference is presumably to Jones' conversation with Aziz Ahmed on July 7; a memorandum of that conversation, drafted by Spengler, is in Department of State, Central Files, 790D.5-MSP/7-760.

continued. The Russians, whatever their real intentions, appear to have gone out of their way in recent months to handle the Pakistanis gently—e.g., their conclusion of an oil exploration agreement; indications that they will offer other forms of technical assistance; and a more friendly tone in broadcasts to Pakistan. We must likewise take into consideration the fact that some Pakistanis seem to favor an accommodation with the Russians and that Pakistan maintains diplomatic relations with Peiping. In pursuing our endeavors to prevent the Pakistanis from being deceived by Russian or Chinese Communist offers of aid, we must, of course, continue to provide military assistance in quantities adequate to give them confidence in their ability to defend their borders—at least in a limited war.

(b) *Russians' open encouragement of Afghans "vis-à-vis Pakistan"*: While Khrushchev's public support of Afghan pretensions in "Push-tunistan" may have helped to encourage Prime Minister Daud in launching the recent ill-fated tribal incursion into Pakistani territory, we have no evidence that the Russians openly encouraged the Afghans in their Bajaur venture. Regardless of possible covert support, and regardless of Russian exploitation of "Push-tunistan" propaganda, we know of no recent increase in overt Russian efforts to stimulate Afghan enmity of Pakistan. At the same time we cannot blame the Pakistanis for being unhappy about Khrushchev's reported remark on May 9, shortly after the U-2 incident, to the effect that a country such as "Pakhtunistan" might conceivably exist.

(c) *Summit collapse and RB-47 incidents*: These were evidence of Russian aggressiveness and belligerency, but aimed primarily against the United States, and not specifically against Pakistan.

(d) *Growing Russian hostility and intransigence at the UN*: These are cause for concern, but were directed against the West in general and only indirectly against Pakistan.

(e) *Chinese Communist territorial claims against Pakistan*: Maps showing portions of peripheral countries as part of China were published many years ago, and unless a map showing a new claim to Pakistan territory has been issued very recently, this problem cannot be regarded as a post U-2 development. Nevertheless, Pakistan has good reason to look to her northern frontiers. As you know, we are assisting her in a road-building project which will give the Pakistani forces better access to Gilgit.

The statement that the Afghans have now "openly come out with the demand that 'Pakhtunistan' should be part of Afghan territory" may be based on newspaper stories or radio propaganda which have not come to our attention. It is our understanding, however, that the official Afghan line, as presented by Prince Naim to the British Embassy, Kabul only last week is still that the Afghans have no territorial ambitions in the Pushtu-speaking areas of Pakistan.

The Pakistani contention that our commitments under multilateral and bilateral agreements for common defense are "so unspecific that it is feared that such a statement would probably not deter the

Soviets . . . ”⁷ seems to imply a lack of faith in our intentions. The Pakistan memorandum contends that “the known reluctance of the Free World to get involved in a global war might encourage the communists in the belief that they could go to a very considerable length in stirring up trouble against their weak neighbors without fear of inviting western intervention.” Here we can only demonstrate by our general posture and our specific actions, as occasion may warrant, that this fear is unfounded.

Suggested Meeting in Pakistan

You will note that the memorandum refers to the Ambassador of Pakistan’s suggestion “that appropriate officials of the departments concerned in the two governments should meet in Pakistan to determine the extent of the threat and that if it was established that it had in fact increased, suggest such measures as may be necessary to strengthen Pakistan defenses to meet this new threat.” The memorandum adds that the Government of Pakistan would welcome such a meeting at an early date.

I believe we should do our utmost to avoid paper exchanges with the Government of Pakistan on this subject, and that until the scope and nature of our future aid patterns are clearer, there is little to be gained by setting up a special meeting in Pakistan as the memorandum proposes. The following lines of action are proposed:

1. That we send a copy of the memorandum to the field for comment.
2. That you send a copy of the memorandum to the Department of Defense (suggested letter to Mr. Irwin attached, Tab A).⁸
3. That when comments from the field and the Department of Defense have been received, you or I (or both of us) meet with the Ambassador of Pakistan and discuss the memorandum along the lines indicated herein, and suggest that regular contacts between representatives of our two governments in Pakistan and Washington appear to cover adequately the subjects mentioned in the memorandum.
4. That we suggest to the Ambassador of Pakistan that in our opinion no special meeting is required.⁹

⁷ Ellipsis in the source text.

⁸ Not found; regarding the letter as sent, see footnote 9 below.

⁹ Hare initialed his approval of the first recommendation; under recommendations 3 and 4, he made the following handwritten comment: “decide later.”

No action is indicated for the second recommendation. On December 7, however, Hare transmitted a copy of the Pakistani memorandum to Irwin under cover of a letter which reads in part as follows: “While the memorandum proposes a meeting of United States and Pakistan officials in Pakistan, I propose, following receipt of your views and those of our interested posts in the field, to convey our views orally to the Pakistan Ambassador, and hopefully to avoid paper exchanges with the Government of Pakistan on this subject.” (Department of State, Central Files, 790D.5/12-760)

394. Airgram From the Embassy in Pakistan to the Department of State¹

G-196

Karachi, December 3, 1960.

I met with President Ayub the evening of Nov 29. He was extremely pressed for time due to his planned departure the following morning for his Far Eastern tour. Although he had several Cabinet members waiting for a meeting with him and a dinner party already assembled, he asked me when I made a move to leave after having concluded my business to remain to discuss a subject which was a matter of concern to him.

The President began by saying that he had no doubt concerning the new Administration's interest in Pakistan, nor did he feel it likely that United States policies with respect to the support of Pakistan and other allies would be changed. He was, however, concerned at the number of people who had mentioned this to him and had expressed the belief that a new situation might present itself which would require a change in Pakistani policies. Not only had the President brushed aside comments of this sort with reassuring statements, but he had endeavored at press conferences to make it clear that he anticipated no change in United States–Pakistan relations. Nevertheless, he thought I should know the steady flow of news stories to the effect that the United States would concentrate upon India in its aid activities was causing a problem. He believed that the problem would in any event resolve itself when the new Administration took office and made its position clear.

The President said he recognized why the United States extended substantial aid to India. He would not criticize that policy, although he did feel that the United States failed to make effective use of India's unadmitted but nevertheless vital reliance upon America in bringing pressures upon Nehru to follow more sensible policies. Pakistan's interest in a non-communist India was certainly no less than the United States'. He feared, however, that it was inevitable that communist gains in India would be registered regardless of American aid, and that would leave Pakistan even more clearly the only strong anti-communist bastion in the area. He feared that some Americans did not fully appreciate the importance to the Free World of having a strong Pakistan. If aid were to be concentrated in any particular country to develop a Western "showpiece", it was hard to understand why Paki-

On February 17, 1961, Jones handed Ambassador Ahmed a note enclosing a memorandum in reply to the November 25 Pakistani memorandum. The U.S. reply is *ibid.*, 790D.5/2-1761.

¹ Source: Department of State, Central Files, 790D.5–MSP/12–360. Secret. Drafted by Rountree on December 1.

stan, an anti-communist ally, would not be the recipient of that increased aid, rather than a neutral whose policies were often contrary to those of the Western-oriented nations and whose chances of avoiding increased communist influence were far less than those of Pakistan. Moreover, the new regime in Pakistan had established the stability and program direction which rendered it possible to achieve great success in the effective utilization of aid resources.

In discussing the matter with the President, I of course emphasized the interest in Pakistan of both American political parties, and I cited the Kennedy-Cooper resolution supporting the concept of aid to South Asia generally. The President fully accepted my comments along these lines, and repeated his earlier assertion that he was confident that there would be no lack of interest on the part of the new Administration in helping Pakistan. His essential point was that there should be a distinction between aid to India and aid to Pakistan, and if any country in the area was to receive particular attention he thought it would be best to focus that attention upon Pakistan. Favoritism toward India would make it more difficult for the Governments of anti-communist nations participating in collective security arrangements to explain to their people the advantages of a policy of forthright commitment as against the policy of neutral countries often leaning toward the Sino-Soviet Bloc yet receiving massive aid from both sides in the East-West conflict.

In reporting the foregoing, I refer to the considerations set forth in Embtel 902,² to which the Department replied in Deptel 917.³ Present significance is that matter raised personally by President.

Rountree

² In telegram 902, November 16, Rountree pointed out that newspaper reports in Pakistan were emphasizing the interest in India on the part of President-elect Kennedy and his advisers. He noted that the Pakistani Government and public were "highly sensitive to any indication that new US policy might evolve favoring India and other neutrals over firm US allies." He concluded: "While I am confident that new administration will attach no less importance to Pakistan, I am concerned that unless this soon made clear, our position in this country might suffer." He suggested that this issue be discussed with a representative of the new administration "in order to emphasize importance that latter's interest in Pakistan and other allies be made clear, even before assuming office." (*Ibid.*, 790D.5-MSP/11-1660)

³ Telegram 917 to Karachi, November 25, reads in part as follows: "Point will, of course, be important part policy briefing new Secretary on NEA matters. If this question raised by GOP you might remind them that the last Kennedy-Cooper report endorsed aid to both countries and Kennedy endorsed the recommendations of the IBRD Bankers Mission." (*Ibid.*, 790D.5-MSP/11-1660)

Southeast Asia

PHILIPPINES

RESUMPTION OF THE BASE NEGOTIATIONS; PRESIDENT GARCIA'S JUNE 1958 STATE VISIT TO THE UNITED STATES; U.S. INTEREST IN THE 1959 PHILIPPINE ELECTIONS; PRESIDENT EISENHOWER'S JUNE 1960 VISIT TO THE PHILIPPINES; DISCUSSION OF TRADE RELATIONS¹

395. Editorial Note

Substantial additional materials on Southeast Asia are in other volumes of the *Foreign Relations* series for the 1958–1960 period. Volume I is devoted entirely to Vietnam. The East Asia regional compilation, which includes considerable documentation on the Southeast Asia Treaty Organization, is in volume XVI, along with compilations on Cambodia and Laos. A combined microfiche supplement to volumes XV and XVI has additional materials relating to those three compilations and the entire selection of documents on Burma and Malaya and Singapore.

¹ Continued from *Foreign Relations*, 1955–1957, vol. xxii, pp. 579 ff.

396. Telegram From the Embassy in the Philippines to the Department of State¹

Manila, January 9, 1958—2 p.m.

2469. Reference 2375.² Since my return³ it has become apparent that the question of a preliminary confidential exchange on bases matter as envisaged during my visit to Washington may be more difficult than anticipated at that time. I am not referring to the possibilities of any substantive agreement, particularly the central issue of jurisdiction which has always been doubtful to say the least as was brought out during the Washington consultations, but rather the mere mechanics of any form of consultation in present circumstances.

As originally proposed by Serrano to me last November (Embtel 1858)⁴ this confidential exchange was to take place in Washington under cover of Serrano's return to the US as chairman of the Philippine Delegation to the UN. Subsequently, however, Garcia reversed himself and vetoed Serrano's trip to the US. The reasons for this action are not completely clear (and Serrano shows an understandable reluctance to discuss it) but it seems in part at least to have resulted from a leak to the press here in Manila that Serrano was to undertake in Washington discussions on the bases issue.⁵ In all probability this aroused opposition from members of the Philippine panel and other politicians which Garcia was unwilling to face and preferred to abandon the idea. The very fact of the transfer of the locus from Washington to Manila itself rendered more unlikely the possibility of a genuinely confidential exchange of views. This impression has been reinforced by the publicity which the possibility of resumption of bases negotiations has received in the Philippine press since my return. Although I have made no proposals or any suggestions since my

¹ Source: Department of State, Central Files, 711.56396/1-958. Secret; Limit Distribution. Repeated to CINCPAC.

² In telegram 2375 from Manila, January 2, Bohlen reported that he had learned in strictest confidence that Felixberto Serrano would be Foreign Secretary in the new cabinet. (*Ibid.*, 711.56396/1-258)

³ Bohlen had been in Washington for consultation.

⁴ In telegram 1858 from Manila, November 15, 1957, Bohlen referred to his discussion with Serrano on the procedure of confidential exploratory talks on issues relating to U.S. bases in the Philippines. (Department of State, Central Files, 711.56396/11-1557)

⁵ From July to December 1956, Karl R. Bendetsen, U.S. Special Representative for Philippine Base Matters, negotiated with a Philippine panel led by Senator Emanuel Pelaez. These negotiations, difficult from the start, finally deadlocked over the issue of criminal jurisdiction. Other unresolved issues included the extent of U.S. involvement in case of enemy attack on the Philippines; the duration of military agreements between the two countries, particularly the agreement on the bases; the acquisition and relinquishment of U.S. base lands in the Philippines; customs and immigration control; and mining and fishing rights on the bases. Both countries expected base negotiations to be resumed, and discussions within the U.S. Government were continuous.

return, only confirming with Serrano at the inaugural reception that such exchanges were to take place following the appointment of the new Cabinet,⁶ the fact of my return has brought forth a spate of speculation and comment in the press which has tended to develop into an argument concerning method of negotiation. As a result a number of politicians, Paredes, Primicias and Delgado,⁷ have come out publicly for the panel method as against the use of diplomatic channels as allegedly proposed by the American Ambassador and one paper, *The Philippine Herald*, has quoted Garcia in a personal interview as in favor of panel discussions. In this public speculation the distinction between confidential preliminary exchanges and substantive formal negotiations has become blurred and the foreign office has done nothing to clarify the matter.

Tuesday⁸ during a call on Serrano on another subject I mentioned to him my concern at the publicity that had been given to this matter and inquired whether he felt that it would be possible in the circumstances to have genuinely confidential exploratory talks for the purpose he had suggested to me last October. Serrano said he had not discussed the matter recently with the President and would not do so until his appointment is official, but that insofar as he is aware it was still the intention that he and I would have this confidential exchange. As to publicity he said that he had always thought it would be necessary at some point in these preliminary exchanges to keep the members of the panel informed if we were making any progress in the direction of common ground on the issues involved. He said he had always had in mind a final "rubber stamp" session in which the Philippine panel would be involved. He made it plain, however, that in his view no member of the panel would be involved in the preliminary exchanges.

I told him that I wondered how long any discussions could be kept even reasonably confidential if members of the panel were to be consulted. He said he did not have in mind consulting them at the very beginning but only in the event that some possibility of agreement emerged.

In general I feel that the atmosphere is not propitious and despite Serrano's optimism on this point I personally doubt if it would be possible to conduct preliminary conversations with him in any degree of privacy or confidence and I feel that even such conversations as envisaged may revive the whole bases issue and throw it into the realm of political controversy with no profit to either side. As matters now stand I do not intend to discuss this matter any further with

⁶ The announcement of the new Cabinet was not made until March.

⁷ Lucas Paredes, Congressman; Cipriano Primicias, Senate Majority Floor Leader; Francisco Delgado, Senator and Chairman of the Senate Foreign Relations Committee.

⁸ January 7.

Serrano but will await word from him following the appointment of the new Cabinet. I feel it would be a tactical error for us to exhibit any particular eagerness or anxiety to renew discussions on the bases issue.

We shall follow the situation here with the closest attention and submit any recommendations for dealing with it in the event of necessity prior to the actual beginning of any discussion.

Bohlen

397. Telegram From the Department of State to the Embassy in the Philippines¹

Washington, January 21, 1958—6 p.m.

2377. Joint State-Defense message. Following guidance is provided for use during Ambassador's discussions with Philippine Foreign Minister to determine whether there exists possibility of reaching agreement on subject of criminal jurisdiction.

1. Under current arrangements, Article XIII of 1947 Military Bases Agreement,² United States has right to exercise jurisdiction over all offenses committed on base, regardless of nationality of offender, except offenses against Philippine security or where both parties are Philippine citizens, not members of US forces on active duty. In addition, United States has right to exercise jurisdiction over offenses committed off base by a member of US forces against another member or against security of United States and over offenses committed off base by a member of US forces while engaged in the actual performance of a specific military duty. Philippines however has right under MBA to determine "duty status" and also has jurisdiction over all other offenses committed off base.

2. During Bendetsen mission and subsequent discussions with President Magsaysay, the Philippines was concerned primarily with achieving two major changes in current arrangements. First was to eliminate US right to exercise jurisdiction over anyone except US personnel and their dependents for offenses committed on base. Sec-

¹ Source: Department of State, Central Files, 711.56396/1-2158. Confidential. Drafted by Robert A. Brand, William Lang (OSD/ISA), and Ely Maurer (L/FE); cleared by L in substance, L/FE and OSD/GC in draft; and approved by Howard P. Jones. Repeated to CINCPAC for POLAD.

² U.S.-Philippine agreement concerning military bases, and exchange of notes, signed at Manila March 14, 1947; entered into force March 26, 1947. (61 Stat. (pt. 4) 4019)

ond was to obtain jurisdiction over off-duty offenses committed on base by US personnel against Filipinos, at least in those cases which Philippines determines to be of particular importance to it.

3. US is now anxious obtain certain major changes in current formula. Experience during last year has shown that it is most important that determination of official duty status should not remain solely in Philippine hands. In fact, unless some adjustment in this regard can be made, there would appear to be little, if any, basis for reaching agreement on jurisdiction problem. US must also obtain some form of assurances that Philippines will waive its jurisdiction, preferably in all cases except those of particular importance to it. US is also anxious to insure that determination of official duty status is based on criterion whether or not "offense arose out of any act or omission done in the performance of official duty", rather than on current criterion which has been interpreted in some Philippine quarters as requiring that offense itself actually constitute a part of individual's official duty.

4. There are obvious difficulties in attempting to achieve these objectives through an "implementation" of Article XIII of Military Bases Agreement, which was tack followed primarily during Bendetsen mission and subsequent discussions with President Magsaysay. Any change in current Philippine right to determine official duty status with respect to off base offenses could hardly be called an implementation. Similarly there are disadvantages to approaching problem along lines of adopting full NATO SOF³ provisions dealing with criminal jurisdiction, supplemented by additional assurances which we seek with respect to determination of official duty and waivers. Philippine negotiators made clear in past that they were willing to accept this approach, which was also discussed with them, only insofar as it had been agreed publicly with Japan,⁴ thus excluding Japan's [*less than 1 line of source text not declassified*] waiver assurances. This Philippine position would not give to US the assurances it seeks with respect to Philippine waivers of its jurisdiction. Nor would Japanese formula give to US all that it wishes with respect to determination of official duty status because of reference to "in any judicial proceeding" in agreed official minutes relating to paragraph 3(a) of jurisdiction provision. We do not want any suggestion that Philippine courts would or could

³ Reference is to the agreement on the status of forces among NATO countries. (TIAS 2846; 4 UST 1792) Procedures for establishing official duty determination varied from country to country. ("Army's Paper on Determining Duty Status in NATO Countries," undated; Department of State, SPA Files: Lot 67 D 279, Negotiations—Jurisdiction)

⁴ Reference is to the Protocol to amend Article XVII of the Administrative Agreement, and agreed official minutes, signed at Tokyo September 29, 1953; entered into force October 29, 1953. (TIAS 2848; 4 UST (pt. 2) 1846)

have ultimate say with respect to official duty determinations; rather, any disputes in that regard would ultimately be resolved, if necessary, at diplomatic level.

5. a) A more successful course of action may possibly be found in formula recently applied by United States to Philippine forces engaged in maneuvers in Okinawa. This formula would eliminate existing distinction between on and off base offenses and is based on NATO SOF allocation of concurrent jurisdiction. That is, US would have jurisdiction over offenses committed by US personnel against US, other US personnel, or their dependents, and also over offenses "arising out of any act or omission done in performance of official duty". Philippines would have jurisdiction over all other offenses; but under this formula Philippines would agree to waive this jurisdiction except in those cases of particular importance to it as determined by Philippines. In addition a US certification as to official duty status would be "controlling". This formula would be preferred US position. However certain adaptations of this formula would prove acceptable.

b) The first of these alternatives would be a provision that US certification as to official duty would be controlling, but Philippine assurances with respect to waivers would be couched in terms that Philippines would "continue to be favorably disposed to grant requests by the United States for the right to exercise jurisdiction".

c) A less desirable alternative would provide a similar assurance with respect to waivers and also provide that a US certification as to "official duty" would be sufficient evidence of that fact until contrary is proven, co-joined with a procedure for reference to a joint committee for resolution of a disputed certification, with further consultation at government-level if joint committee fails to achieve a solution. (Pending agreement no trial proceedings would be instituted.) Philippines indicated their willingness during Bendtsen mission and later discussions with President Magsaysay to give such assurances with respect to waivers, at least in negotiating minutes. Philippine Panel was also willing to accept Japanese arrangements concerning determination of official duty status, which are similar to those outlined, but which are not completely satisfactory, when discussing adoption of NATO formula which eliminates distinction between on and off base offenses. However Philippine reaction with respect to official duty determinations off base was to contrary when considering an implementation of Article XIII (see Manila's 2525 of March 1957).⁵

⁵ Telegram 2525 from Manila, March 14, 1957, discusses criminal jurisdiction. (Department of State, Central Files, 711.56396/3-1457)

6. Formula described in 5 a) would also retain an offender subject to Philippine jurisdiction in US custody until trial proceedings are completed. This is an arrangement which we currently enjoy under Article XIII and wish to retain under any solution achieved.

7. In discussions concerning scope of US personnel and their dependents to be covered by the new arrangement you should use definition of "member of the US forces" found acceptable to Philippines during discussions with President Magsaysay (see Manila's 2525).

8. The Philippines has also insisted on an affirmation that Philippine law is applicable within base areas and that it will be observed by the US forces and their personnel. Main problem in past has been manner in which Philippines has phrased this proposal. Possibly a solution could be found in language paralleling that found in NATO and Japanese agreements: "It is the duty of the US forces and their personnel to respect the law of the Philippines, which is applicable within the base areas, and to abstain from any activity inconsistent with the spirit of this Agreement, and, in particular, from any political activity in the Philippines."

9. Foregoing is US position on jurisdiction question. You are authorized use this as basis for preliminary discussions which Serrano may initiate on subject jurisdiction. Although we agree with you (Manila's 2469)⁶ that we should not take initiative in opening such discussions, we naturally interested in ascertaining (a) Philippine attitudes and positions on jurisdiction and (b) whether in fact jurisdiction problem can be profitably discussed and resolved at this time.

Dulles

⁶ *Supra*.

398. **Telegram From the Embassy in the Philippines to the Department of State**¹

Manila, March 6, 1958—2 p.m.

3449. Limit distribution for Robertson. During my conversation with President (Embtel 3448)² he gave me opportunity by mentioning new cabinet would shortly be announced to bring up subject of Barrera. I told him I had read with mixed feelings reports today that Serrano would be Foreign Secretary and Barrera Secretary of Justice,³ saying that I had enjoyed the most cordial and cooperative relations with Serrano but as he was undoubtedly aware on American side we entertain some concern about Barrera because of the great responsibility the Secretary of Justice had under the bases agreement.

The President said he was aware of our sentiment on this subject but asked me why we felt that way. I told him insofar as I was concerned it was not because of Barrera's role in the Bendtsen talks but rather because of the interpretation he attempted to place on the agreement in certain cases since I had been here, particularly the Carnes case,⁴ pointing out that had he not been overruled by Tuason⁵ in that case there would have been an extremely explosive issue between US and Philippines. I pointed out that duty status off base was possibly the most ticklish aspect of the bases agreement and that it was therefore important that final decision in this field should be made by a man who was both objective and genuinely wished to see the bases agreement work as smoothly as possible. I said that although I did not know Barrera personally, doubted if he would qualify on either count.

The President took no offense at my remarks but listened carefully and said that he felt he "could handle Barrera" and had had a talk with him on the Carnes case at the time in which he had disagreed with his interpretation.

¹ Source: Department of State, Central Files, 796.13/3-658. Secret; Priority.

² In telegram 3448 from Manila, March 6, Bohlen reported on his ceremonial call on Garcia and Garcia's request for an interview with Dulles during the latter's visit to Manila for the Fourth SEATO Council meeting, March 11-13. (*Ibid.*, 796.11/3-658)

³ Jesus C. Barrera, Philippine Secretary of Justice, March 1958-May 1959.

⁴ The Carnes case arose in July 1957 out of an automobile accident which occurred, the United States contended, while the military person was on active duty. The Philippine judge, however, disagreed with the duty determination and refused to accord the United States an opportunity to present evidence. He was overruled by the Philippine Secretary of Justice.

⁵ Pedro Tuason, Philippine Secretary of Justice in 1957.

Although as usual the President made no definite statement on the subject and there has been no official announcement, from his attitude I gather that the Barrera appointment is virtually certain. My only purpose in bringing the subject up was to make sure that the President was directly aware of our feelings on the off chance, which seemed very slim, that decision was not yet completely final.

Bohlen

**399. Memorandum of a Conversation, Manila, March 12, 1958,
8 a.m.¹**

US/Del/MC-1

PARTICIPANTS

<p><i>U.S.</i> Secretary Dulles Assistant Secretary Robertson Ambassador Bohlen</p>	<p><i>Philippines</i> President Garcia Secretary Serrano</p>
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SUBJECT

Philippine Financial Problems

After breakfast, the President brought up with the Secretary certain of his desires concerning the possibility of increased economic assistance from the United States. He did not mention, however, the Omnibus Claims Bill² or any revision of the existing ICA programs, but concentrated all his remarks on his plan for the creation in the Philippines of a Development Loan Fund to finance the importation of machinery and raw materials for existing and new industrial enterprise in the Philippines. In less detail he covered very much the same grounds he had previously with Ambassador Bohlen (Embtel 3482).³

¹ Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Secret. Drafted by Bohlen and approved by Joseph N. Greene, Jr., Special Assistant to the Secretary. The source text indicates that the conversation took place in President Garcia's Manila Residence, "The Hideout."

² The "Omnibus Claims" was the collective name given to a variety of claims, most of which arose from World War II, made by the Philippine Government. These claims, totaling \$1 billion, were officially presented to the U.S. Congress in 1955. For a list of the claims, see *American Foreign Policy: Current Documents, 1959*, pp. 1246–1247.

³ As reported in telegram 3482 from Manila, March 7, Bohlen had a one and one-half hour talk with Garcia. Garcia not only raised the issue of economic assistance but expressed his hope to visit the United States while Congress was in session. He also mentioned that he had received frequent questions as to when base negotiations would be resumed. (Department of State, Central Files, 796.11/3–758)

President Garcia said he felt that the creation of this Development Loan Fund would be of material assistance in strengthening the foreign exchange reserve position of the Philippines, and he inquired what the Secretary's reaction had been to the preliminary discussion he had had with Ambassador Bohlen in this respect.

The Secretary said that he thought there might be some possibilities in the existing lending mechanism in the United States, namely, the Ex-Im Bank and possibly the Development Loan Fund. He pointed out, however, that this would be a very bad year with Congress, and he anticipated that foreign aid in general would have a difficult time before the Congress. He gave a brief outline of the economic situation in the United States and the current recession, emphasizing that a cycle of wage increases followed by high prices plus easy credit and installment buying had tended to force prices up. But it was possible that the current recession might bring about a reduction in prices. He mentioned this point particularly since he had understood that one of the Philippine objections to the utilization of Ex-Im Bank credits was because of the high price of United States equipment (under the Charter of the Ex-Im Bank credits can only be used for purchases in the United States). He felt therefore that it was possible that in the future with a reduction of United States prices this objection might be reduced.

Turning to the Development Loan Fund, the Secretary outlined the general situation in regard to this Fund, mentioning that the Administration was asking for an additional \$625 million, but that for the reasons he had mentioned earlier they would be lucky if they obtained \$500 million. He also pointed out that while the Development Loan Fund did not exclude purchases in countries other than the United States, it was also on a project basis and not an open line of credit.

Then followed a discussion concerning the mechanisms for the handling of United States aid for industrial development in the Philippines and particularly the fact that the Philippine Industrial Development Center worked on a project-by-project basis which required in each case the concurrence of the ICA Mission here. President Garcia said what he had in mind was a government-to-government credit or loan which would be applicable not only to government projects, such as irrigation which could not be handled privately, but would be used for privately owned new industrial enterprises. In concluding this part of the conversation the Secretary emphasized that it would not be possible to discuss any amounts of loans or credits which might be available to the Philippines until they knew the general amounts that had been authorized by Congress, which would probably be at the very end of the present Congressional session. A jocular exchange between the Secretary and the President then ensued as to the help

Garcia might render with Congress during his visit to the United States in order to increase the money generally available to lending mechanisms in the United States.

There was a brief exchange on the subject of devaluation, during which the Secretary pointed out that an overvalued currency always favored corruption and evasion of the exchange controls, but that devaluation, if it were to be of benefit to the country concerned, should be carefully planned and the necessary accompanying measures adopted to cushion the shock. He mentioned the experience in Korea with devaluation which had on the whole worked out very well. The President agreed and said that if he could get his Development Fund started, there might be no need to devalue the peso but, if there were, with this Fund they would be in a position to do so in such a manner as to cushion the shock. The President did not explain exactly how this Development Fund, which, by his own statement, was to be distinct from the foreign exchange reserves of the Central Bank, could be used for this purpose. At this point, Ambassador Bohlen brought up the question of private investment in the Philippines, pointing out that the uncertainty as to remittance of profits and repatriation of capital seemed to be the chief deterrent from the point of view of United States business. The President mentioned that no administration could bind a future one, but he felt that something for a four-year period might be done to stabilize the Central Bank formulas on these questions.

The conversation then turned to the urgent need of the Philippines for additional rice from the United States which is covered in a separate memorandum.⁴

⁴ The substance of the conversation on the Philippine request for rice is contained in Secto 20, *infra*. On the same day, March 12, Dulles also extended an invitation to Garcia, in President Eisenhower's name, to visit the United States. (Dulte 5 from Manila, March 12; Department of State, Central Files, 796.11/3-1258) The dates subsequently agreed upon were June 17-19.

400. Telegram From the Secretary of State to the Department of State¹

Manila, March 12, 1958—noon.

Secto 20. For Dillon from the Secretary. During breakfast with President Garcia this morning he asked me if I would do what I could to help the Philippines obtain some 50 thousand tons of rice from U.S. sources under PL-480.² Secretary Serrano, who was present, said that they had heard from Romulo that of the 100 thousand tons available the Philippines might receive 20 thousand tons but the balance would go to India and Pakistan and one other Southeast Asian country.

I explained to Garcia the problem we had in regard to the availability of rice and the fact that other countries had gotten in their requests ahead of the Philippines, but I felt that if we could make some special effort in this direction in view of the genuine Philippine need, because of drought conditions, we should do so. The President feels that 40 to 50 thousand tons to be delivered during June would help tide them over the most difficult period.

Could you let me know what prospects there are of meeting this request as I would like to inform Garcia before my departure on the fourteenth.³

Dulles

¹ Source: Department of State, Central Files, 411.9641/3-1258. Secret; Priority.

² The Agricultural Trade Development and Assistance Act, approved July 10, 1954. (68 Stat. 454)

³ The Department of State replied that, after interbureau consultation, it was decided that either 20,000 or 25,000 tons could be allotted to the Philippines. (Tosec 30 to Manila, March 12; Department of State, Central Files, 411.9641/3-1258) Final agreement for shipping the rice was reached on June 3. (Telegram 5496 from Manila, June 3; *ibid.*, 411.9641/6-358)

401. Telegram From the Department of State to the Embassy in the Philippines¹

Washington, March 12, 1958—1:31 p.m.

3370. Re Embtel 2822; Deptels 2595, 2377.² Joint State–Defense Message. This message intended to supplement guidance Deptel 2377 for use during your discussions with Serrano to determine whether mutually acceptable agreement can be reached on issues outstanding at termination of Bendetsen Mission.

I. Correlation of Agreements.

A. *Duration.* In its “White Paper” February 18, 1957 to Mag-saysay,³ Phil Panel mentioned as item of paramount importance correlation of Military Bases Agreement, Military Assistance Agreement,⁴ and Mutual Defense Treaty.⁵ In same White Paper, panel repeated stand taken during Bendetsen negotiations, pressing for US commitment that neither MAA nor MDT, each unilaterally terminable with one year’s notice, would be terminated as long as MBA in force. Panel cleverly did not urge that all three agreements be coterminous; but argued that while there may be continued need for MAA and MDT when bases no longer required, basis for MBA no longer exists if two other agreements terminated.

We are not in position to meet Phil demands. If issue raised, you may wish point out factors bearing on need for MAA and MBA differ. Provision for aid under the MAA is based on specific legislative authority which could, for various reasons, be terminated by U. S. Congress. Growth and strengthening of Philippine economy, technical

¹ Source: Department of State, Central Files, 711.56396/1–3058. Secret. Drafted by Robert A. Brand and William Lang of OSD/ISA; cleared with BNA, L/FE in draft, and RA in conference; and approved by J. Graham Parsons. Repeated to CINCPAC for POLAD.

² Telegram 2822 from Manila, January 30, asked for instructions on issues related to the bases other than criminal jurisdiction, although the resumption of negotiations was not imminent. (*Ibid.*, 711.56396/1–3058) Telegram 2595 to Manila, February 5, informed Bohlen that these matters were under careful consideration and that instructions would be forthcoming. (*Ibid.*, 711.56396/1–3058) Telegram 2377 to Manila is printed as Document 397.

³ The Philippine Panel “White Paper” of 1957 was a report on the 1956 base negotiations with the United States. In the report, the Panel listed problems related to U.S. bases in the Philippines, traced the negotiating history, and summed up areas of agreement and disagreement when negotiations were broken off in December 1956. Further information is in despatch 702 from Manila, March 5, 1957. (Department of State, Central Files, 711.56396/3–557)

⁴ The U.S.–Philippine Military Assistance Agreement was signed and entered into force March 21, 1947. (61 Stat. (pt. 3) 3283)

⁵ The Mutual Defense Treaty between the United States and the Philippines was signed August 30, 1951, and entered into force August 27, 1952. (TIAS 2529; 3 UST (pt. 3) 3947)

advances and changes in strategic concepts could eliminate need for military assistance without decreasing need for bases for common defense both countries.

Similarly there may be continued need for bases if MDT ever technically terminated. For example, preamble MDT specifically recognizes agreement may be interim measure pending more comprehensive regional security pact or other arrangement. MDT could be terminated today and Phils would still be protected under SEATO.⁶

As practical matter, bases in Phils represent major strength-in-being for common defense US and Phils and are stabilizing factor for long-range defense relationship, giving US practical stake in defense of Phils. In view historically close special relationship between Phils and US it seems inconceivable that a situation could arise, whether or not a formal commitment existed, where US would not come to assistance Phils in case of an attack. Maintenance of bases in itself is evidence of intent of US to defend Phils.

We consider Phil concern about possible US retention of bases when no longer needed to be covered adequately by proposal, concurred in by Phil Panel, that both countries would consult together, at request of either, as to continued need for bases. Should they agree there is no longer a need for bases, MBA would be terminated.

In discussing issue of duration you may find it effective to point out that historically and legally MDT, MAA and MBA were negotiated and agreed to separately from each other and represent solemn undertakings, binding not only on US but also on Phils. It could not have been reasonably expected US would have made large expenditures necessary to establish, develop and maintain bases in Phils for mutual defense of US and Phils in absence of long range assurances as to their availability. By their very nature, bases are dependent upon continuing cooperation of host country.

B. *Retaliation in Event of Attack.* In same "White Paper", Phil Panel pressed for formal commitment, "like NATO", that US would assist, with force if necessary, in event Phils attacked. We cannot buy Phil position which goes beyond commitments under NATO. Nor are we willing to approach Senate even with NATO type language at this time.

Possible effective argument may be to show that US commitments to Phils under MDT and SEATO are, for all practical purposes, same as under NATO. Under MDT and SEATO, parties recognize an attack against one represents danger to peace and safety of other parties and parties are committed to take measures against common danger "in accordance with constitutional processes". ANZUS pact, MDT's with

⁶ The Southeast Asia Collective Defense Treaty was signed at Manila, September 8, 1954 and entered into force February 19, 1955. (TIAS 3170; 6 UST 81)

Korea and China⁷ contain same language. This differs little from North Atlantic Treaty which recognizes attack against one is attack against all, and that each party will assist by “such action as it deems necessary”. Further, under Art. 11 the provisions of NAT are to be carried out “in accordance with constitutional processes”. As Secretary Dulles’ note⁸ pointed out, attack against Philippines would as a matter of reality involve attack against US forces there and US would act immediately.

Politically, we are not in position to change US commitment as expressed in MDT. SEATO commitment is identical. We cannot give favored position to Philippines without endangering the SEATO alliance. Nor is it feasible to renegotiate the SEATO commitment.

C. *War-time Development and Utilization.* Phil Panel pressed for consultation and agreement between two governments on war-time development and utilization of bases. We again cannot accept. War-time development of bases must meet requirements mission US forces which US alone can determine. Agreement on utilization during war-time is more difficult problem in light of public US commitments with UK that decision to use US bases in Britain during hostilities would be made jointly. However you may be able to fend off Serrano by stressing that bases developed purely for defensive purposes and that, of course, US would consult with Philippines before use to extent time and circumstances permit. Immediate establishment of Mutual Defense Board would assist materially in resolving this problem as well as war-time development of bases.

D. *Mobilization Stockpile.* Panel’s “White Paper” also presses for US commitment to provide military assistance for building up mobilization stockpile to be issued to reserves in event of national emergency. It is possible Garcia administration will not press this with vigor of Magsaysay. But if raised, you should point out to Serrano need for most judicious use of limited MAP monies appropriated by Congress. Immediate problem in Philippines is to ensure effective use

⁷ The ANZUS Pact was signed by Australia, New Zealand and the United States in San Francisco, September 1, 1951, and entered into force April 29, 1952. (TIAS 2493; 3 UST (pt. 3) 3420) The United States signed a Mutual Defense Treaty with the Republic of Korea in Washington, October 1, 1953, which entered into force November 17, 1954; and with the Republic of China in Washington, December 2, 1954, which entered into force December 10, 1954. (TIAS 3097; 5 UST (pt. 3) 2368, and TIAS 3178; 6 UST 433, respectively)

⁸ Reference is to a note from Dulles to the Philippine Government, September 7, 1954, the relevant portion of which reads as follows: “Under our Mutual Defense Treaty and related actions, there have resulted air and naval dispositions of the United States in the Philippines, such that an armed attack on the Philippines could not but be also an attack upon the military forces of the United States. As between our nations, it is no legal fiction to say that an attack on one is an attack on both. It is a reality that an attack on the Philippines is an attack also on the United States.” (Quoted in telegram 1377 from Manila, October 12, 1959; Department of State, Central Files, 711.56396/10–1259)

of equipment slated for the one active Phil division. At present, we do not consider that three Phil reserve divisions are developed to extent that would warrant building stockpile. This problem would be matter of immediate concern to Mutual Defense Board. If agreement reached within Defense Board with respect efficiency of reserve divisions, Board could then recommend consideration of mobilization stockpile and MAP.

II. Mutual Defense Board and Liaison Officers.

Panel and US positions these issues so close that agreement in principle may be considered as having been reached, although problems raised this issue during April discussions may reopen issue. Agreement also reached during Bendetsen mission on composition metes and bounds commission. Believe you should stress to Serrano importance of Board to provide machinery for direct liaison and consultation on military matters; joint planning in peace and war and coordination of military assistance.

III. Natural Resources.

Phil Panel insisted that exploitation of natural resources should not be restricted unless mutually agreed otherwise for reasons of military necessity. US had proposed that bases be zoned unilaterally by US commander. Believe solution may lie in reviewing informally now with Philippine military zones established by US. If agreement can be reached by Philippine and US military on zones, we can then agree that mining would be permitted within areas of bases mutually agreed. Precooked zoning should allay fears on US and Phil sides. Once MDB established, procedures for processing mining applications set forth in Deptel 2922⁹ should be more acceptable to Phils. Miners receiving permits would of course have to agree to conditions already accepted by Phils in connection with the temporary permits already issued at Clark Field.

Message dealing with land requirements and relinquishments now being prepared.

Herter

⁹ Reference is apparently to telegram 2822 to Manila, March 9, 1957, which contains a verbatim text on natural resources in the Bendetsen Report. (*Ibid.*, 711.56396/3-957)

402. White House Staff Notes No. 324¹

Washington, March 13, 1958.

[Here follows item 1 concerning an unrelated subject.]

2. *Conditions in Philippines.*² —Embassy Manila, appraising the two and a half months of the Garcia administration, regards the present situation of the country as gloomy, characterizes Garcia's leadership as weak and hesitant, and describes his administration as slow to the point of paralysis in acting on critical programs. Corruption is creeping back into the government to the extent that business interests say it is becoming virtually impossible to operate without payoffs throughout the bureaucracy. The political and economic gains of the Magsaysay period are being lost, and the Embassy fears that the failure of the administration to halt the economic deterioration may create discontent which could be exploited by dissident elements. Rural conditions are unsatisfactory and may be deteriorating seriously in many areas. There is large scale unemployment, prices are rising, and in some regions there is a real shortage of rice and other consumer goods. The country also faces a serious foreign exchange situation which will be aggravated by the necessity for importing rice.

[Here follow the remaining items.]

¹ Source: Eisenhower Library, Whitman File, DDE Diaries. Secret. Eisenhower's initials appear in the margin of the source text.

² Information contained in this paragraph is a summary of telegram 3456 from Manila, March 6. (Department of State, Central Files, 796.11/3–658)

403. Telegram From the Embassy in the Philippines to the Department of State¹

Manila, March 31, 1958—5 p.m.

4028. Re Embtels 4006 and 4008.²

¹ Source: Department of State, Central Files, 711.56396/3–3158. Secret. Repeated to CINCPAC, PACAF, CINCPACFLT, CINCPACREPPHIL, COMNAVPHIL, AND 13th AF SAMAP.

² In telegrams 4006 and 4008 from Manila, both dated March 30, Bohlen reported that the Commander of the 13th Air Force had ordered the cancellation of third-power aircraft scheduled to land at Clark Air Base, and that Bohlen had asked for an appointment with Serrano. (*Ibid.*, 711.56396/3–3058)

1. Fol is recapitulation of developments over last weekend concerning third-power aircraft AFD MATS contract-carrier flight.

a) Late Friday afternoon, Mar 28, Emb officer received phone call from Minister Arreglado³ of Foreign Office requesting that Emb assure that no Thai Air Force planes would proceed directly to Clark pending further discussions between the Amb and Serrano scheduled for Apr 1. Arreglado further stated that PAF had been directed force down any such aircraft without proper clearance, namely, diplomatic clearances. When queried concerning effect of this decision on ChiNat aircraft Arreglado stated this applicable to such planes. However when Emb officer pointed out that these planes under US operational control and conducted on regularly scheduled basis for purpose ferrying mil aid and USAF cargoes, Arreglado indicated that ruling not intended to apply such aircraft but applicable to Thais. Emb officer reported developments to 13th AF to make certain no Thai aircraft would be scheduled prior to meeting between Amb and Serrano.

b) On Sat, Mar 29, due notice given to Phil air traffic control authorities of anticipated arrival scheduled ChiNat AF planes. Air control authorities directed plane should land at Manila International Airport. Thirteenth AF thereupon ordered cancellation of flight and issued instructions all third-power aircraft flights be deferred pending resolution current difficulties by Emb and Foreign Office.

c) On Sun, Mar 30, regularly scheduled MATS contract-carrier World Airways flight when reporting penetration Phil ADIZ was directed by Manila ARTC to land at Manila. Plane reported situation and requested instructions from Clark Tower. Thirteenth AF directed MATS World Airways plane to land at Clark since it by that time Clark area.

d) Emb officer contacted Arreglado late that evening to report incident. Arreglado stated that instructions to land at Manila International Airport were not intended to be applicable to USAF MATS contract-carrier flights and he claimed he unaware such flights taking place. In response to Emb officer's statement that action being taken by air traffic control people unusual in light of fact that matter is being discussed by Amb and Secy Serrano, Arreglado assured Emb officer he will take steps to correct misinterpretation by traffic control authorities. World Airways plane given routine clearance to depart last night by traffic control authorities and this morning's scheduled arrival of MATS regularly scheduled contract-carrier occurred routinely in normal manner regular clearances by Phil authorities.

2. When informed of the action by the Phil Govt which forced 13th AF cancelled ChiNat flights, contacted Secy Defense Vargas and discussed matter with him. Vargas indicated he aware of problem generally but did not know of specific actions taken this weekend which resulted in cancellation of all flights. He fully appreciative of mil significance and sympathetic our position. He assured me he would attempt see Serrano as soon as possible to discuss matter with

³ Juan M. Arreglado, Minister for Legal Affairs and Treaties, Philippine Department of Foreign Affairs.

him. He further indicated that he doubted PAF would take any action such as indicated to Emb officer by Arreglado. This further confirmed by discussions Emb officer had with AFP who apparently unaware of current developments.

3. I have reviewed problem with CINCPACREPPHIL and Comdr 13th AF. Was unable to see Serrano this afternoon but have appointment for tomorrow in effort develop satisfactory solution present difficulties.

Bohlen

404. Telegram From the Embassy in the Philippines to the Department of State¹

Manila, March 31, 1958—7 p.m.

4032. Embtel 4031² and previous.

1. During my discussion with Vargas on the problem of third-power aircraft reported in reftel, he said he felt that present difficulties were due to activities of customs and immigration officials who feel their reps and duties are not being adequately covered in regard to matters affecting US bases in the Phils. He went on to say that although he realized there had been no resumption of bases discussions, he thought proposed Mutual Defense Board, which had been close to agreement at the time of Bendetsen talks and which provided for the stationing of AFP liaison officers at the bases would be the best method of dealing with this problem, since these liaison officers would come from the Phil mil but at the same time would be reps of the Phil authorities and could handle on the spot with the US mil problems such as the one we were confronting.

2. I believe Vargas' suggestion has real merit. In general it had been our plan to await resumption of general bases discussions in order to take up the question of a Mutual Defense Board, but since it now seems probable that the Phil Govt is not anxious to open up bases

¹ Source: Department of State, Central Files, 711.56396/3–3158. Secret. Repeated to CINCPAC POLAD, CINCPAC, PACAF, CINCPACFLT, CINCPACREPPHIL, COM-NAVPHIL, and 13th AF SAMAP.

² Telegram 4031 from Manila, March 31, gave specific instances of the difficulties encountered by third-power aircraft attempting to land at Clark Air Base. (*Ibid.*, 711.56396/3–3158)

question in general, especially controversial issues of jurisdiction, we might on our own initiative take up the question of a Mutual Defense Board from the point where it was left off.

3. I would, therefore, like authorization when and if the present controversy over third-power aircraft is satisfactorily settled to explore with Serrano the possibility of negotiating an agreement on the establishment of a Mutual Defense Board.

Bohlen

405. Telegram From the Embassy in the Philippines to the Department of State¹

Manila, April 10, 1958—6 p.m.

4219. Deptel 3962.² Upon receipt reftel I cancelled appointment I had arranged with Serrano and Vargas for this morning on grounds that certain information which I was awaiting from Washington had not come through and meeting would have to be postponed.

I very much regret delay in dealing with immediate problem we face both for reason that ban on third-power aircraft is certainly undesirable for implementation of our air logistic program in this area and also because I very much fear that unless we move promptly to resolve this question it will leak out to press here. Although ban has been in existence for two weeks and so far, presumably due to efforts of Serrano and Vargas, it has been held confidential, we have already had one inquiry from *Chronicle* reporter who seems to have gotten wind of this problem, and prospects of satisfactory solution would of course be impaired if matter became public.

Yesterday at Bataan celebrations in making appointment for this morning I mentioned to Vargas that I hoped to obtain further details concerning function of liaison officer. He immediately said that his idea was that liaison officer, who he emphasized would be under exclusive control of Phil military, would deal only with actions of third-power aircraft and would work out procedures with base commander. In reply to my inquiry as to whether such liaison officer

¹ Source: Department of State, Central Files, 711.56396/4-1058. Secret; Priority. Repeated to CINCPAC for POLAD, CINCPAC, CINCPACFLT, PACAF, USARPAC, CINCPACREPPHIL, COMNAVPHIL, and 13th AF SAMAP.

² Telegram 3962 to Manila, April 9, reads in part: "Pending further study and development joint State-Defense position, we believe you should not discuss function liaison officers in Thursday appointment with Serrano." (*Ibid.*, 711.56396/4-858)

would be deputized to deal with all aspects of third-power aircraft of interest to Phil laws and would in effect do no more than verify in conjunction with base commanders that US authorities were in fact complying with Phil laws in this respect, he promptly replied in the affirmative. In the light of this brief exchange with Vargas I believe there is considerable possibility of working out problem of third-power aircraft in a manner which would fully protect our interests while removing this issue from the field of controversy. In addition to solving immediate problem, it would be very valuable test case as to possible utilization of such liaison officer to our advantage in regard to other aspects of the applicability and operation of Phil law on bases. The problem we are facing in regard to third-power aircraft is of course merely one facet and a reflection of deeper issues in regard to bases question in the Philippines. In large part many of our current difficulties arise from the fact that the US under the 1947 Agreement, and in particular under the practices which have developed on the basis of that agreement, enjoys far more than in any other country where there are US bases a degree of extraterritoriality and total control of these bases. This situation arose in part because at the time of the 1947 Agreement the US was asserting title to these bases. When claim to title was abandoned in 1956 it has become increasingly difficult to defend many of the privileges and rights which we had exercised, and in large measure continue to exercise, in respect to these bases. For example, the question of applicability of Phil law did not arise in any serious form as long as the base areas were treated by us as US territory. With the abandonment of title, however, it is difficult for me to see how we can successfully maintain that Phil law does not apply to these areas and that if this principle was admitted it follows logically that Phil Government would wish and possibly insist on some means of satisfying themselves that applicable Phil laws are in fact being complied with by US authorities. I very much fear that if we maintain the position that no Phil official has any business on US bases (in essence an assertion of extraterritorial rights) that at some date in the future, and possibly in the not too distant future, we will be involved in a head-on collision with Phil Govt and our friends and supporters inside government who sincerely wish to see bases arrangement work smoothly, and effectively will be forced into same position as those elements who are either antagonist or at least indifferent to maintenance of present bases structure.

We have, I am convinced, a strong ally in the AFP who are thoroughly convinced of the vital necessity of these bases to the security of the Phils, and I would say to a large degree in the Philippine Foreign Office. I consider it of vital importance that we retain these allies and I believe a gesture in the direction of Phil sensibilities in the

form of a liaison officer under conditions to be worked out to mutual satisfaction is probably the best means of averting in the future a much more serious challenge to our bases position here.

What we are of course trying to protect here is the efficient operation of these bases from a military point of view. And by yielding a little amount at the present time, which I believe could be done without detriment to the efficient operation of the bases, we might save ourselves much more serious difficulty in the future. In fact, it seems to me incontestable that in matters dealing with colonial or former colonial countries those nations which have been somewhat ahead of events have in the long run succeeded in protecting their vital interests much more effectively than those countries which have attempted to hold on to every scrap of privilege stemming from the previous relationship. I fully realize that there are many who believe that this is the "camel's nose under the tent" and that a concession now would be followed by further demands to a point where efficient functioning of bases would be imperiled. I have only been a short time in the Philippines, but others who have been here longer agree with me in stating that while there may be some element of risk in this respect, in general the Phil character responds favorably to generous treatment. In this case the AFP would very likely consider it a matter of honor to work with and not against the US military authorities if we accepted the stationing of liaison officers on the bases. On the other hand, if the Filipino believes that he is being treated as a second-class individual in inferior status then all of his talent for legal hairsplitting and intrigue comes to the fore. In general, I believe there should be no concession made to forces in this country seeking to undermine US/Phil relations, and I would not hold the above views if I believed that Barrera and persons of this opinion were dominant in the Phil Govt. Concessions, however, to elements in the Phil Govt whose desire is to promote Phil/American relations, and in this instance the harmonious functioning of our bases arrangement, is quite a different matter.

I therefore urge for all of foregoing reasons that I be authorized to explore ad referendum the function of AFP liaison officer at Clark limited to questions of third-power aircraft under 1953 agreement.³

³ Regarding this agreement, see *Foreign Relations, 1952-1954*, vol. XII, Part 2, pp. 600-603.

I would suggest Department repeat Embtel 4178⁴ to CINCPAC. My only purpose in sending it direct to Department was in hopes of getting prompt authorization for proposed meeting this morning with Serrano and Vargas.

Bohlen

⁴ In telegram 4178 from Manila, April 8, for Walter S. Robertson, Bohlen expressed his concern over CINCPAC's reluctance to install Philippine liaison officers on U.S. bases. (Department of State, Central Files, 711.56396/4–858)

406. Telegram From the Department of State to the Embassy in the Philippines¹

Washington, April 14, 1958—7 p.m.

4083. Joint State–Defense message (3 parts).² Manila's 4219; Department's 3962, 3884.³

Part I:

1. Regret necessity delaying your planned discussion liaison officers with Serrano and Vargas on Thursday, but in view numerous recommendations received impossible arrive sooner at coordinated position this complicated problem. As you know, we have long sought establishment liaison officers on bases and accept completely principle that liaison officers as symbol US-Phil cooperation would 1) have salutary effect on Phil attitude towards US bases as described your reference telegram and 2) help simplify day-to-day problems on bases. We therefore strongly favor establishment liaison officers as effective instruments for reporting to and carrying out decisions of central body for Philippine-US cooperation in military matters, i.e., PI–US Mutual Defense Board.

¹ Source: Department of State, Central Files, 711.56396/4–1058. Secret. Drafted by Brand and Lang, cleared in draft with OSD/ISA and L/FE, and approved by Parsons. Repeated to CINCPAC, CINCPAC for POLAD, CINCPACFLT, CINCPACAF, CINCUSARPAC, CINCPACREPPHIL, COMNAVPHIL, and COM13AF SAMAP.

² Part II of this telegram, not printed, continued the verbatim text of the terms of reference for a Mutual Defense Board. Dulles' signature appears at the end of Part II, and there is no indication in Department of State files of a Part III.

³ Telegram 4219 from Manila is printed *supra*; regarding telegram 3962 to Manila April 9, see footnote 2, *supra*. Telegram 3884 to Manila, April 5, a joint State–Defense message, noted that in previous base negotiations, the issue of Philippine liaison officers had been discussed within the context of establishing a Mutual Defense Board. Both State and Defense Departments felt that it should continue to be so considered. (Department of State, Central Files, 711.56396/4–158)

2. You may therefore wish inform Serrano and Vargas that US strongly favors idea establishing liaison officers on bases; we believe they can contribute greatly to solution problem created by third power aircraft. However, we believe description duties liaison officers should properly be worked out together with terms reference for Mutual Defense Board for whom they will work. Therefore believe we should move ahead soonest establish long-planned machinery for resolution problems military cooperation through making arrangements to cover both Mutual Defense Board and Liaison Officers, who will be Mutual Defense Board's effective instruments on bases themselves.

3. On basis review arrangements proposed last spring by Philippines for establishment of MDB and liaison officers, believe speedy agreement can be reached on both. Text with respect to Mutual Defense Board (Part II this message) acceptable to us provided Philippines accept underlined language which Arreglado agreed to last year. Text with respect liaison officers (Embtel 2942 of April 15, 1957)⁴ also acceptable provided that bracketed language, dealing with providing liaison officers with quarters, is dropped. We are still exploring this point, but cannot give a firm commitment in this regard now. It should be noted that we have dropped earlier language in paragraph 2.B referring to "such Philippine laws and regulations as may be applicable within the base". This done on grounds that Military Bases Agreement forms integral part of Philippine law, applicable throughout Philippines including base areas, and provides exceptions, for example in fields of taxes and customs, to normal provisions of Philippine law (see paragraph 3, CA 8586 of April 3).⁵

[Here follows Part II; see footnote 1 above.]

Dulles

⁴ Telegram 2942 from Manila contained a draft text relating to Philippine liaison officers suggested by Arreglado. (*Ibid.*, 711.56396/4-1557)

⁵ The opening sentence of paragraph 3 of CA-8586, April 3, reads: "Suggested wording paragraph 8, Deptel 2377 adopted from NATO SOF and Japanese agreements." It went on to say that Philippine laws were applicable throughout the Philippines, including base areas. (*Ibid.*, 711.56396/4-358) Telegram 2377 is printed as Document 397.

An agreement for the establishment of the Mutual Defense Board was signed on May 15, 1958; the text is printed in *American Foreign Policy: Current Documents, 1958*, pp. 1244-1249; or TIAS 4033; 9 UST 547.

407. Telegram From the Embassy in the Philippines to the Department of State¹

Manila, May 20, 1958—6 p.m.

5208. 1. Sen Recto² yesterday filed resolution co-signed by 17 other Senators which would require consent of Congress before ballistic missiles could be stockpiled or launching sites established in Phils. Resolution not signed by Sen President Rodriguez, Sen majority floor leader Primicias, Senators Pelaez and Sumulong³ (last two did not sign since resolution being referred to their committees) and Sen Alonto who was absent.⁴

2. Resolution employs "lightning rod" concept that existence of missile stockpile and launching sites could make Phils prime target and in event of war enemy missiles with nuclear warheads could totally destroy country in matter of minutes. Also states that US offer to NATO countries to establish missile sites in those countries accepted only by UK.

3. Resolution refers to establishment of Mutual Defense Board and press reports that board in dealing with "military matters of mutual concern" would take up missile base question. Statements by Deputy Secretary of Defense Quarles, Assistant Secretary of State Robertson and CHJUSMAG Phil re missile bases and missiles received considerable press coverage in Phils and has kept this matter in public eye. In addition some senators undoubtedly aware AFP desire for missiles and missile training. Suggestion for latter has been made in letter from Arellano to CHJUSMAG.⁵

4. Recto scheduled to make major speech in Senate tomorrow on defense and foreign policy issues at which time he will probably touch on bases matters including missile bases.⁶

Bohlen

¹ Source: Department of State, Central Files, 711.56396/5-2058. Confidential; Priority. Repeated to CINCPAC for POLAD, CINCPACFLT, CINCPACAF, USARPAC, CINCPACREPPHIL, and 13th AF.

² Senator Claro M. Recto.

³ Senator Emanuel Pelaez, Chairman, Philippine Senate National Defense Committee; Senator Lorenzo Sumulong, Chairman, Philippine Senate Foreign Relations Committee.

⁴ The resolution passed the Philippine Senate unanimously on May 21.

⁵ The letter from General Arellano, AFP Chief of Staff, is not printed.

⁶ The Embassy in Manila believed that Recto's action was prompted by his suspicion over the recent U.S.-Philippine agreement to establish the Mutual Defense Board. The Garcia administration had not kept Philippine congressional leaders well-informed. A detailed account is in despatch 65 from Manila, "The Missile Bases Controversy," July 23. (Department of State, Central Files, 711.56396/7-2358)

408. Telegram From the Department of State to the Embassy in the Philippines¹

Washington, May 22, 1958—8 p.m.

4964. From Robertson. Had luncheon with Romulo 21st. Warned him that buildup of hopes of large financial assistance which could not be realized would make whatever is accomplished appear insignificant and give President's visit label of failure which would be damaging to Philippine-American relations and probably to Garcia's political popularity at home. Romulo agreed. Reminded him that amount of DLF not yet known but in any event applications on worldwide basis would far exceed amount funds available even with favorable action by Congress.

Romulo stated what Garcia desired was long-term credits. I replied I could not speak for Treasury but at best Treasury credits, if any, would be in limited amount. I further stated that I could only speak in generalities as we had not yet been informed for what purposes funds were to be requested only that total would run several hundred million dollars. Urged Romulo impress upon Garcia necessity of making visit political success rather than financial failure.

Dulles

¹ Source: Department of State, Central Files, 796.11/5-2258. Confidential. Drafted and approved by Robertson.

409. Special National Intelligence Estimate¹

SNIE 66-58

Washington, May 27, 1958.

OUTLOOK FOR THE PHILIPPINE REPUBLIC

The Problem

To estimate the outlook for the Philippines over the next year, with particular reference to the character of the Garcia administration and the major trends in US-Philippine relations.

Conclusions

1. Government in the Philippines is in process of reverting to the levels of corruption, opportunism, and irresponsibility that characterized the pre-Magsaysay period. A drastic decline in foreign exchange reserves and inflation have become major economic problems, largely as a result of governmental indecision and toleration of illegal practices to curry the political favor of special interest groups. Moreover, President Garcia has failed to demonstrate a capacity for principled and vigorous leadership. (Paras. 6, 7, 11)

2. It is within the power of the Philippine government to go a long way toward rectifying the economic situation. However, thus far Garcia has shown little willingness or ability to exercise the determined leadership necessary to carry out an effective program for the solution of the country's economic problems. He probably believes that he can avoid politically difficult courses of action by appealing to the US for large-scale financial aid. (Paras. 12-14)

3. We believe that the military will remain relatively free of political manipulation and corruption and that it will continue as an important force for national stability over the next year at least. By 1960 armed force capabilities will be substantially increased as a result primarily of current programs to reorganize the army and modernize the airforce. However, the armed forces are dependent upon continued US aid and assistance. (Paras. 15-17)

4. There is a genuine and growing nationalist sentiment in the Philippines, which is thus far not generally identified with anti-Americanism. However, a small but important group has attempted to exploit resentment of Philippine political and economic dependence upon the US by emotional and chauvinistic appeals. The extent to

¹ Source: Department of State, INR-NIE Files. Secret. Prepared by the Central Intelligence Agency and the intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and The Joint Staff. It was distributed by the Director of the Central Intelligence to appropriate officers at the White House, National Security Council, Department of State, Department of Defense, Operations Coordinating Board, Atomic Energy Commission, and Federal Bureau of Investigation.

which Philippine nationalism takes on an increasing anti-American coloration depends largely upon successful settlement of outstanding issues between the two countries. We believe that in any event, within the framework of the overall alliance with the US and a generally pro-American attitude there will be increased pressure for a more independent foreign policy (Paras. 19–20)

5. However, we believe it unlikely that the Philippines will take action which will jeopardize US military base rights over the next year or so. The Philippines will continue in the foreseeable future its present active participation in SEATO. (Paras. 21, 23)

[Here follows the remainder of the paper.]

410. Memorandum From the Deputy Assistant Secretary of State for Far Eastern Affairs (Parsons) to the Secretary of State¹

Washington, May 31, 1958.

SUBJECT

United States Policy Toward the Philippines, NSC 5813²

A review of the previous Philippine policy paper (NSC 5413/1)³ was recommended in the OCB Report on the Philippines of April 2, 1958.⁴ Subsequently, a decision was taken by the NSC Planning Board to initiate a revision of the Philippine policy paper. A copy of the revised paper (NSC 5813) is attached and is summarized below.

The four U.S. objectives set forth in this paper parallel those in NSC 5413/1 of April 5, 1954 and relate to: 1) the kind of government and economy we wish to see functioning in the Philippines; 2) our continued need for military bases there; 3) a Philippine military establishment adapted to the needs of the country's internal and external security; and 4) continued general harmony between U.S. and Philippine policies.

The policy guidance on political matters reflects the replacement in the Philippines of the dynamic, dedicated and basically honest administration of the late President Magsaysay by an administration

¹ Source: Department of State, S/S-NSC Files: Lot 63 D 351, NSC 5813 Series. Secret. Drafted in SPA and concurred in by Robert Murphy.

² Not printed, but see *infra*.

³ Dated April 5, 1954; *Foreign Relations, 1952–1954*, vol. xii, Part 2, pp. 590–600.

⁴ Not printed. (Department of State, OCB Files: Lot 62 D 430)

which has gotten off to a slow and uncertain start which has raised doubts regarding its ability to carry forward an effective program of economic development and social reform.

The guidance on economic matters puts greater emphasis on stability and sound policies although still stressing the need for economic expansion and reform of social inequities. Philippine officials are to be encouraged to make the most efficient use of available human and material resources in working toward economic goals, and to create conditions attractive to outside sources of assistance.

In paragraph 32 it is provided that U.S. officials should encourage a solution of problems arising out of Church–State relations, pointing out the advantages which derived from strict separation of Church and State during the decades of U.S. tutelage in the Philippines. This would in effect mean that the U.S. would be taking an official position on the matter of Church and State in the Philippines, contrary to the official stand at home of non-involvement in such matters. It would be preferable therefore to drop this paragraph.

A new element in the guidance on military matters consists in working for continued improvement in Philippine public understanding of the mutual values of the U.S. bases to the security of both countries. The former guidance on acquisition and relinquishment of land for base areas has been enlarged to include review, upon Philippine request, of those aspects of bases arrangements with which the Philippines has expressed dissatisfaction, with a view to reaching mutually acceptable solutions.

Recommendation

That you concur in the adoption by the NSC of the statement of policy set forth in the attached paper, with the deletion of paragraph 32.

411. Memorandum of Discussion at the 368th Meeting of the National Security Council, Washington, June 3, 1958¹

[Here follows a paragraph listing the participants at the meeting.]

¹ Source: Eisenhower Library, Whitman File, NSC Records. Top Secret; Eyes Only. Drafted by S. Everett Gleason.

1. *Significant World Developments Affecting U.S. Security* (SNIE 66-58)²

[Here follows discussion of unrelated subjects.]

Noting that the next item on the agenda was a revision of our policy toward the Philippines, the Director of Central Intelligence read the conclusions of the recent Special National Intelligence Estimate on "The Outlook for the Philippine Republic" (SNIE 66-58, a copy of which is filed in the minutes of the meeting).³ Mr. Dulles also cited U.S. aid figures to the Philippine Republic since the end of the Second World War. Taken in their broadest terms, this assistance totalled about \$3.5 billion. Basically, said Mr. Dulles, the Philippine management was rotten.

[Here follows discussion of unrelated subjects.]

2. *U.S. Policy Toward the Philippines* (NSC 5413/1; OCB Report on NSC 5413/1, dated April 2, 1958; NSC Action No. 1907;⁴ NSC 5813;⁵ SNIE 66-58; Memo for NSC from Executive Secretary, same subject, dated June 2, 1958⁶)

General Cutler briefed the Council in considerable detail on the contents of the revised policy statement on the Philippines. (A copy of General Cutler's briefing note is filed in the minutes of the meeting, and another is attached to this memorandum.) At the conclusion of his briefing, General Cutler asked Secretary Herter whether he wished to comment on the proposed new policy. Secretary Herter answered in the affirmative, and said he had three points to suggest.

The first occurred in the last sentence of paragraph 12, on page 10,⁷ where Secretary Herter suggested that the first and qualifying clause of the sentence be deleted, since the exception stated therein was no longer valid.

His next point, said Secretary Herter, occurred in paragraph 32, on page 18, reading as follows:

² Document 409.

³ The minutes of all National Security Council meetings held during the Eisenhower administration are in the National Archives and Records Administration, RG 273, Records of the National Security Council, Official Meeting Minutes File.

⁴ NSC Action No. 1907, taken at the NSC meeting on May 8, authorized a review of U.S. policy toward the Philippines, which had been recommended by the Operations Coordinating Board. (Department of State, S/S-NSC (Miscellaneous) Files: Lot 66 D 95)

⁵ NSC 5813 was the same as NSC 5813/1, *infra*, except for the changes made during this NSC meeting.

⁶ The memorandum transmitted a memorandum from General Twining to the Secretary of Defense, dated May 31. Twining wrote that "from a military point of view, NSC 5813 is an acceptable statement of U.S. Policy toward the Philippines." Both memoranda are in Department of State, S/S-NSC Files: Lot 63 D 351, NSC 5813 Series.

⁷ The last sentence of paragraph 12 read: "Except for one small loan request currently being considered, all Philippine loan applications thus far submitted to the Development Loan Fund have either been referred to the Export-Import Bank or rejected."

“32. Without committing U.S. officials to any single solution, encourage spiritual and secular leaders to work toward a solution of problems arising out of Church–State relations; meanwhile pointing out the advantages which derived from strict separation of Church and State during the decades of U.S. tutelage in the Philippines.”

Secretary Herter suggested the deletion of paragraph 32, on the grounds that the problem of the influence of the Roman Catholic Church in the Philippines was a very touchy subject. Moreover, in the last election the Church had on the whole exercised a beneficent influence in fighting against corruption.

The President, agreeing with Secretary Herter’s point, said that we would be expecting our officials in the Philippines to be veritable Machiavellis if they were to carry out such a very difficult course of action successfully.

General Cutler explained the reason which had induced the Planning Board to include paragraph 32, and suggested that while the second part of the paragraph might well be omitted, he thought that the first part was sound and deserved to remain. Secretary Herter replied that he would still be happier if the entire paragraph were deleted. Secretary Herter’s proposal was adopted.

Secretary Herter’s next point concerned subparagraph 36–c, reading as follows:

“c. Consideration of any substantial expansion in economic assistance to the Philippines should be dependent among other things on absorptive capacity in the Philippines and Philippine performance in utilizing available internal and external resources for well-conceived development purposes based on sound financial policies and administration.”

Secretary Herter stated that of course this subparagraph was of very great importance in view of the forthcoming visit of President Garcia. He and Under Secretary Dillon feared that as presently written this subparagraph was too restricted. He therefore recommended the inclusion, after the word “Philippines” in the second line, of the words “except for the Development Loan Fund”. Otherwise all loans, even from the Development Land Fund, would be shut off.

General Cutler asked Secretary Anderson if he cared to comment on subparagraph 36–c. Secretary Anderson replied that basic to the Philippine financial and economic problem was the fact that, regardless of what the United States did, only the Filipinos themselves could provide the ultimate solution to their own problems. Garcia and his people were coming here in the hope of solving their economic and financial problems through measures of external assistance rather than by undertaking the requisite internal reforms. Such a course of action cannot and will not work. We can, of course, sit down with Garcia and tell the Filipinos what they ought to do to set their house in order.

However, if we do this we ourselves become at least partially responsible for the results. The only other choice open to us is to counsel the Filipinos to follow a program formulated for them by the International Monetary Fund. The trouble here was that the Fund must be invited to formulate such a program. Accordingly, the over-all result would probably be that Garcia and his associates would return to Manila greatly disappointed at the size of our proposed assistance. It will be very hard to tell them what they themselves must do to solve their difficulties. Nevertheless, they would have to solve their own difficulties, because the Export-Import Bank was adamant against granting any further loans to the Philippines.

General Cutler then pressed Secretary Anderson for his reaction to Secretary Herter's suggestion for amending subparagraph 36-c. Secretary Anderson replied that making an exception for loans from the Development Loan Fund would not in itself be sufficient to provide a solution to the basic problems in Philippine finances. He was therefore inclined to be opposed to Secretary Herter's proposed new language. The Acting Director of the Budget, Mr. Merriam, after further discussion, suggested that the views of the interested Council members would be served by the insertion of the word "total" at the end of the first line of subparagraph c.

At the conclusion of the discussion, the President said he wished to refer to a little history. If one went back to the year 1935 and read the views and objections of thoughtful members of Congress and of the Cabinet of those days with respect to giving independence to the Philippines, one would quickly perceive that these people had foreseen all the difficulties which we now observed to be confronting the Philippine Republic.

*The National Security Council:*⁸

a. Discussed the draft statement of policy on the subject contained in NSC 5813; in the light of the views of the Joint Chiefs of Staff thereon, transmitted by the reference memorandum of June 2, 1958.

b. Adopted the statement of policy in NSC 5813, subject to the following amendments:

(1) *Page 10, paragraph 12, last sentence:* Delete the qualifying clause "Except for one small loan request currently being considered,".

(2) *Page 18, paragraph 32:* Delete, and renumber subsequent paragraphs accordingly.

(3) *Page 19, subparagraph 36-c:* Add, at the end of the first line, the words "the total amount of". Place an asterisk in front of subparagraph 36-c and the following footnote at the bottom of the page:

⁸ Paragraphs a-b and the Note constitute NSC Action No. 1922. (Department of State, S/S-NSC (Miscellaneous) Files: Lot 66 D 95)

“* This paragraph is not to be construed as prohibiting the use of the Development Loan Fund as part of the total amount of economic assistance.”

Note: NSC 5813, as amended by the action in b above, subsequently approved by the President; circulated as NSC 5813/1 for implementation by all appropriate Executive departments and agencies of the U.S. Government; and referred to the Operations Coordinating Board as the coordinating agency designated by the President.

[Here follow the remaining agenda items.]

S. Everett Gleason

Attachment

Briefing Note Prepared by the President's Special Assistant for National Security Affairs (Cutler)

PHILIPPINES

1. The next item is a revised policy statement on the *Philippines*. This revision was prepared, following OCB's recommendation, because the 1954 statement was out-of-date and because President Garcia was soon to visit the U.S.

2. Since the 1954 policy statement was approved, President Magsaysay died in a 1957 airplane crash, Vice-President Garcia succeeded to the Presidency, and last fall Garcia won a four-year term as President. While this sharp change in political leadership has been the *outstanding event* affecting the Philippines, a number of other important things have happened in the period:

(1) SEATO was formed (Par. 14).

(2) In 1956 the Philippines signed a peace treaty and reparations agreement with Japan.⁹ Under the latter, the Philippines will receive \$550 million in goods and services over a 20-year period, at the annual rate of \$25 million during the first 10 years (Par 14).

(3) There has been a trend away from teaching and using English, a necessary means of communication between Filipinos themselves as well as with the outside world; a trend away from technical and vocational training in the Philippine school system; and greater efforts by the Catholic Church to reassert its influence in education and politics. (Pars. 8, 13)

(4) Philippine trade, while still over 50% with the U.S., continues to shift away from America. (Par. 9)

(5) After Magsaysay's death, foreign exchange reserves drastically declined; and inflation set in. (Par. 10)

⁹ For text of the Japanese-Philippine Peace Treaty, see 260 UNTS 1832; for text of the Japanese-Philippine Reparations Treaty, see 285 UNTS 4148.

(6) On the military side, reorganization of the Army from battalion combat teams to divisions has begun, and jets are being introduced into the Air Force. (Par. 18; Par. 14, Annex B.)

3. These events have been reflected, and made the basis of policy guidance, in the revised paper. But the *principal issue* before us stems from the change in Philippine political leadership. At the time the last paper was approved, Magsaysay had just taken office, and we had high hopes for his administration. *Now* we are faced with an entirely different picture. Garcia has been President for 15 months and has 3½ years more to serve.

4. Garcia has already given us many evidences that the next few years will be difficult. Because of our immediate interest in Garcia's capability to administer his office, I want to read briefly from the early paragraphs of the statement, beginning on p. 2:

(READ)

5. The paper before you deals with the Garcia problem in two ways.

a. On the *political* side, paragraphs 25 and 26 (p. 17) call for encouraging the Garcia Administration to reform its character and improve its effectiveness, and for encouraging the development of an effective opposition.

b. On the *economic* side, paragraph 36 (on p. 19) deals with aid to the Philippines under the Garcia Administration. Subparagraph a calls for continuing economic and technical aid (at about the present levels). Subparagraph b calls for attempting to persuade the Philippine Government to take measures for economic and financial stability. Subparagraph c deals with any substantial *expansion* of economic aid, as follows:

(READ paragraph 36-c)

6. The Financial Appendix on p. 23 estimates U.S. aid programs under this policy through FY 61, based on the assumption that no additional aid will be promised to President Garcia during his visit.

7. A matter that may come up during President Garcia's visit is the long-pending U.S.-Philippine base negotiations. Annex B, the Military Annex, following the Financial Appendix, spells out the U.S. military interest in the Philippines and says of the base negotiations:

(READ, p. 7, Annex B)

8. The Joint Chiefs in their written comments find the statement's provisions militarily acceptable. There were no differences of view recorded in the Planning Board (such unanimity, being unusual, may give some concern).

Call on:

Secretary Dulles
Secretary Anderson
Mr. James Smith
Secretary McElroy–General Twining

412. National Security Council Report¹

NSC 5813/1

Washington, June 4, 1958.

UNITED STATES POLICY TOWARD THE PHILIPPINES

Note by the Executive Secretary to the National Security Council

REFERENCES

- A. NSC 5413/1
- B. OCB Report on NSC 5413/1, dated April 2, 1958
- C. NSC Action No. 1907
- D. NSC 5813
- E. SNIE 66–58
- F. Memo for NSC from Executive Secretary, same subject, dated June 2, 1958
- G. NSC Action No. 1922

The National Security Council, the Secretary of the Treasury, Mr. Walter Williams for the Secretary of Commerce, and the Director, Bureau of the Budget, at the 368th Council meeting on June 3, 1958, adopted the draft statement of policy on the subject contained in NSC 5813, subject to the amendments set forth in NSC Action No. 1922–b.

The President has this date approved the statement of policy in NSC 5813, as amended and adopted by the Council and enclosed herewith as NSC 5813/1; directs its implementation by all appropriate Executive departments and agencies of the U.S. Government; and designates the Operations Coordinating Board as the coordinating agency.

The Financial Appendix, an Economic Aid Annex (Annex A), and a Military Annex (Annex B) are also enclosed for the information of the Council.²

¹ Source: Department of State, S/S–NSC Files: Lot 63 D 351, NSC 5813 Series. Secret.

² None of the Annexes is printed.

The enclosed statement of policy, as adopted and approved, supersedes NSC 5413/1.

James S. Lay, Jr.³

Attachment

STATEMENT OF U.S. POLICY TOWARD THE PHILIPPINES

General Considerations

Importance of the Philippines

1. The Republic of the Philippines is important to the United States and the Free World.

a. Politically, the special relationship and close alliance between the United States and the Philippines serve to illustrate to other Asians that a young Asian state can benefit directly from association with the United States and at the same time adhere to its ideals of self-determination.

b. Strategically, the Philippines forms a principal link in the Far East defense perimeter, of special value at this time because of its geographic relationship to Communist China, Japan, Formosa, Indonesia, and the countries of the Southeast Asian mainland.

c. Economically, the Philippines is one of the most important areas of U.S. commercial activity in Asia, both as a market and as a field for investment.

Internal Political Situation

2. *Garcia's Administration.* The preponderance of political power in the Philippines rests with the Nacionalista Party, which, in the national elections of November 1957, retained control of the Congress and the Presidency. President Carlos P. Garcia is a shrewd old-guard Nacionalista politician whose opportunistic approach to the problems of government, and tendency to surround himself with weak men dependent upon him politically, have, in the short period of his administration, already resulted in a serious decline in effective leadership and a sharp rise in government corruption. Judged on his record as President since March, 1957, most of Garcia's energy and attention are apparently focussed on consolidating his political power by patronage, political payoffs, and playing off one faction against another. Moreover, Garcia has no wide political base from which he can derive support for an effective program conflicting with the interests of major Philippine groups.

³ Printed from a copy that bears this typed signature.

3. *The Opposition.* Potentially, the most important political opposition group is made up of the Magsaysay-oriented younger politicians. However, this group is now divided between the Progressive Party (composed of many of Magsaysay's closest associates) and elements of the Liberal Party (including Vice President Diosdado Macapagal). The political future of these younger leaders will depend in a large measure upon whether they can unite to form a single effective political organization which can demonstrate to the people that it will carry out a program in the spirit of Magsaysay's honest and energetic administration. In the 1959 senatorial and 1961 presidential elections, such a unified party could have widespread popular appeal if the corruption and ineffectiveness of the Garcia administration continue. Moreover, the creation of a strong opposition from these groups might exert a constructive influence on Garcia.

4. *Garcia and the United States.* From the standpoint of U.S. policy, the Garcia regime already represents a sharp retrogression from the Magsaysay period, and its prospects for improved performance in the future are not reassuring. The problem of U.S.-Philippine relations during the Garcia administration is complicated by:

a. Garcia's apparent belief that the United States must come to his rescue financially.⁴

b. The possibility that Garcia, in an effort to obtain U.S. assistance in the amounts desired by him, might adopt more nationalistic attitudes or reopen the matter of U.S. base rights.

c. The fact that Magsaysay's program made a lasting impact on the hopes and aspirations of the people for a better life, with the result that they may quickly become restive unless their lot is improved.

It is not possible at this time to forecast with certainty Garcia's reactions to the pressures on his administration.

5. *Nationalism.* There is a genuine and growing nationalist sentiment in the Philippines which is thus far not identified with anti-Americanism. However, a small but important group has attempted to exploit resentment of Philippine political and economic dependence upon the United States by emotional and chauvinist appeals. The political focal point of ultra-nationalist sentiment is currently the Nationalist-Citizens Party, founded by the chauvinist-nationalist Senator Recto and the devoutly Catholic but anti-clerical Senator Tanada.⁵ This Party is supported by an influential and vocal segment of the Filipino elite, speaking through the *Daily Manila Chronicle*. Although

⁴ There have been indications that President Garcia, while visiting the United States in June 1958, may seek substantial additional economic aid over a three-year period. In this connection, it should be noted that there remained available to the Philippines, as of March 31, 1958, undisbursed credits from the IBRD and the Export-Import Bank totaling \$85 million. (See Economic Aid Annex (Annex A), page 20.) [Footnote in the source text. Annex A is not printed.]

⁵ Senator Lorenzo Tanada.

the Recto group has now officially left the ruling Nacionalista Party, its influence upon the Party's old guard and within the Garcia Administration remains strong. Unless successful settlement of outstanding issues between the two countries is effected, Philippine nationalism will take on an increasing anti-American coloration. In any event, within the framework of the over-all alliance with the United States, and a generally pro-American attitude, there will be increased pressure for a more independent foreign policy.

6. Minorities.

a. *Muslims.* The largest and politically most significant minority group in the Philippines is formed by the more than a million Muslims (Moros) concentrated in Mindanao and the Sulu archipelago. Since independence, Filipino Muslim contacts with other Muslim peoples, particularly in Indonesia and Egypt, have been more actively pursued and have prompted Philippine concern that the Philippine Muslims may be transformed into a subversive element within the Philippine nation. This concern has been compounded by the growth of Communist influence in Indonesia.

b. *The Chinese Community.* The Chinese community, estimated at between 300,000 and 400,000, is by far the largest *alien* minority in the Philippines. The Chinese have held strongly to their culture and traditions, and have acquired economic power greatly disproportionate to their numbers. As a result, the Chinese have traditionally been a prime target of nationalist hostility. Discriminatory measures have been imposed against them, and they have commonly been the source of substantial campaign contributions to the Filipino candidates and heavy bribes to Filipino legislators and officials. Although frequently forced from the Chinese under pressure, such funds have at the same time been an important source of Chinese political influence. A strongly anti-communist Philippine Government with full diplomatic relations with the Government of the Republic of China has kept communist influence among the Chinese minority to a minimum. However, as long as Chinese Communist pressures remain strong and the Chinese minority is largely unassimilated, the Chinese in the Philippines will constitute an important potential instrument of communist subversion.

7. *Americans in the Philippines.* U.S. citizens constitute the second largest alien minority in the Philippines, and are estimated at approximately 45,000, including a substantial number of Filipino ethnic origin, about 11,000 United States Government employees and military personnel, plus dependents of the latter two categories. The American business community occupies a position of considerable importance in the economy and enjoys commensurate esteem and prestige. Direct private American investment is estimated at approximately \$300 million, almost half of total foreign investment in the Philippines. Under

the terms of the Revised Trade Agreement between the United States and the Philippines,⁶ U.S. citizens are accorded equal rights with Filipinos until 1974 in the "disposition, exploitation, development, and utilization" of natural resources and the operation of public utilities, and are also accorded national treatment with respect to engaging in other activities. In an increasingly nationalistic economic environment, increasing criticism of this equal rights arrangement can be expected. While most of the provisions of the Revised Trade Agreement are being carried out satisfactorily, the Philippines has never offered to implement the important provision for consultation with the United States prior to taking restrictive action affecting U.S. trade, and has ignored our requests for consultation in specific cases.

8. *Church and State.* Roman Catholicism has been the dominant religion in the Philippines since the Christianization of the archipelago by the Spanish. Under Spain, the Roman Catholic Church enjoyed the active support of the Spanish administration. Under American rule, strict separation of Church and State was enforced. As a protest against Church refusal to appoint Filipinos to leading Church offices, the nationalist element of the Filipino Catholic hierarchy broke away in 1898 to establish what became the Aglipayan Church. This and various other Protestant churches attracted those who had opposed the Catholic Church's role during the Spanish period. During the American period and the first years of independence, the Roman Catholic Church was preoccupied with problems of reorganization and reconstruction as well as with adjustment to the new status of the nation. In recent years, the Church has reasserted its claim to an official position as the dominant religious force in the Philippines, and issues and problems of relations between Church and State have again captured public attention. The struggle between Catholic Action and the anti-clerical group, which comprises both Catholics and non-Catholics, has for the most part taken place in politics and education where the Church is resuming an active political role and seeking to control the public school curriculum. In their attacks on the Catholic Church's open involvement in politics, its opponents point to the long history of Church opposition to reforms and to greater autonomy for Filipinos.

Economic Situation

9. *Basic Economic Situation.* With considerable aid and assistance from the United States, the Philippines has succeeded in a large measure in recovering from the extensive damage of World War II, and has

⁶ Signed in 1955 to modify the original provisions of the 1946 Trade Agreements. [Footnote in the source text. The Revised Trade Agreement was signed at Washington September 6, 1955, and entered into force January 1, 1956. (6 UST (pt.3) 2981)]

gone on to attain production levels substantially above those of the pre-war period. The population of 23 million is increasing at an estimated rate of from 2 to 3 per cent per year, but the rate of increase of the Philippine economy has been roughly twice as fast, although the rate of increase slackened somewhat in 1957. However, the distribution of income continues to be seriously unequal, and there continue to be problems of unemployment and underemployment. Despite the availability of ample arable land, the Philippines has not achieved self-sufficiency in food production. The Philippine economy remains predominantly agricultural, but a gradual diversification is taking place. The preponderant role of the United States in Philippine foreign trade has been declining in recent years, and Philippine commerce with Japan and Northwestern Europe has increased proportionately. Despite this decline, the continued importance of the United States to the Philippine economy is indicated by the fact that in 1956 the United States purchased more than 50 per cent of total Philippine exports, and U.S. Government expenditures (exclusive of assistance) provided 18 per cent of total Philippine foreign exchange receipts.

10. *Current Economic Situation.*⁷ The fiscal policies of the present administration have jeopardized financial stability and promoted inflationary pressures. Election politics and widespread evasion of exchange regulations led to a serious weakening of the exchange control system in 1957, and international reserves during that year diminished by one-half. At the same time, cumulative budget deficits and lenient credit policies began to undermine the internal price structure. Faced with the double threat of dangerously low international reserves and growing inflationary pressures, the Garcia administration in December 1957 announced an "austerity" program to restore the financial position of the nation. However, the program soon lost most of its momentum and there appears to be little determination left to enforce its restrictive measures. The early relaxation of the "austerity" controls and prospects of a large budget deficit in FY 1959 indicate that the Filipinos intend to rely primarily on external assistance to restore financial stability.

The U.S. Role

11. It is in the U.S. interest that the program initiated by Magsaysay to improve the status of the Philippine peasant and raise the level of political morality in the government be continued successfully.

12. The United States has provided economic assistance to the Philippines under the Mutual Security Program since FY 1951, although since Magsaysay's death it has been difficult to maintain the

⁷ See Economic Aid Annex (Annex A), page 20, for an estimate of external funds available to the Philippines. [Footnote in the source text. Annex A is not printed.]

effectiveness of the program. In the period from FY 1951 through FY 1957 the United States spent \$12 million in technical assistance directed toward improving the effectiveness of government services and increasing agricultural and industrial production. In the same period, economic aid expenditures for public works, industrial and agricultural development, public health, rural improvement, and education and military construction totaled \$120 million. During the same period, the Philippines drew \$26 million from Export-Import Bank lines of credit totaling \$93 million. All Philippine loan applications thus far submitted to the Development Loan Fund have either been referred to the Export-Import Bank or rejected.

13. U.S. information programs in the Philippines provide current material supporting U.S. policy objectives to newspapers, radio, movies, television and other public information media. This task is greatly facilitated by the fact that almost all important daily newspapers, all serious magazines, most radio programs and most government publications are in English. Widespread knowledge and understanding of English results from its use since the earliest days of the U.S. administration as the means of instruction in all grades of the public school system. However, since the Japanese occupation the level of English teaching in the schools has steadily deteriorated. There are nine distinct languages in the Philippines, and English serves as a means of communication among various sections of the country. Unless standards are restored, particularly among primary school teachers, the Filipinos are in danger of seeing a decline in their ability to communicate easily among themselves and with the rest of the world through English.

Foreign Relations

14. Philippine foreign policy continues to be one of active and close alignment with the democratic world, particularly the United States. In recent years closer relations with some other Southeast Asian states such as Vietnam, Thailand and Pakistan, as well as Philippine participation in SEATO, the Colombo Plan, ECAFE, and meetings of the Bandung group, have sharpened its awareness of regional problems. In 1956 the Philippines finally reached a reparations agreement with Japan⁸ and ratified the Japanese Peace Treaty. Diplomatic relations have since been established, but the residue of hostility toward the Japanese as a result of the war, together with the constant Philippine fear of Japanese economic domination, have kept relations between the two countries cool. The Philippines has no diplomatic relations with the Sino-Soviet bloc; no cultural exchanges with the bloc have been permitted; and trade is negligible.

⁸ See Economic Aid Annex (Annex A), page 20. [Footnote in the source text.]

Threats to Philippine Security

15. *Internal Threats.* The threat of the Philippine Communist Party to Philippine internal security has decreased steadily since 1950. The Communist Party and its military front, the Huks (Hukbong Mapagpalaya ng Bayan), were formally outlawed by statute in 1957; and the Huks were reduced by the Magsaysay counteroffensive from 10,000 well-organized armed men in 1950 to about 500 scattered and harried individuals today. However, the Communist Party has adopted political action in place of armed rebellion as its primary tactic and is currently concentrating its energies in an attempt to subvert the influential urban intelligentsia. The susceptibility of this element of the population to manipulation of slogans about "nationalism" and "colonialism" makes it a useful potential instrument in the Communist plan to destroy the alliance between the United States and the Philippines.

16. *External Threats.* Externally, the proximity of Communist regimes on the Chinese and Vietnamese mainlands heightens Philippine concern over the rise of Communist strength in Indonesia. Under the terms of a Mutual Defense Treaty (1952), the United States and the Philippines recognized that an armed attack in the Pacific area on either country would be dangerous to the peace and safety of the other, and each agreed to act to meet the common danger in accordance with its own constitutional processes. Similar guaranties are provided through Philippine membership in the collective security system established by the Southeast Asia Collective Defense Treaty. The 1947 Agreement on Military Bases in the Philippines and the 1947 Agreement on Military Assistance to the Philippines strengthen further the close mutual security relationship between the Philippines and the United States.

Military Problems

17. *Military Assistance.* During the period FY 1950–FY 1957, U.S. military assistance programmed for the Philippines totaled \$167 million, with deliveries totaling \$143 million. Additionally, excess stocks valued at \$25.5 million were programmed during the FY 1950–57 period, of which \$15.7 million was delivered through FY 1957.

18. *The Philippine Armed Forces.* U.S. military assistance has made possible a considerable build-up and reorganization of the Philippine armed forces, first to combat the Huk menace and subsequently to concentrate on the preparation for resistance to external aggression. At present, these forces consist of: an Army of about 27,300 men, currently being reorganized into one active and three standby infantry divisions; a Navy of about 3,660 men, 32 combat vessels and 23 auxiliary and service vessels; an Air Force of 4,840 men and 154

aircraft; and a Constabulary of 10,000 men. These armed forces are capable of providing for internal security, contributing to defense of the Philippines, and making a limited contribution to the collective defense of the Western Pacific area.

19. *U.S. Forces in the Philippines.* U.S. military forces (9,730 men as of July 1, 1957) are stationed in the Philippines to assist in meeting the requirements of U.S. forward strategy in the Western Pacific, including defense of U.S. bases in the Philippines. Such U.S. bases provide fleet support for U.S. naval forces in the area, operating and staging facilities for the U.S. Air Force, and emergency training facilities for the U.S. Army.

20. *Base Negotiations.* In the summer of 1956 the United States undertook to open negotiations with the Philippine Government looking toward a land adjustment under the 1947 Military Bases Agreement. The United States had requirements for additional military sites, including approximately 16,000 acres of land needed for improvement or expansion of present facilities. In return the United States was willing to relinquish rights to 128,108 of the 542,270 acres under its control and to return a cargo unloading facility in the Port of Manila. When the negotiations were opened, the Philippines raised a number of issues, including the revision of the jurisdiction provisions of the Military Bases Agreement and the correlation of the Bases Agreement, the Military Assistance Agreement, and the Mutual Defense Treaty, as conditions precedent to the land adjustment. These points were discussed with Philippine officials by the Bendetsen Mission, but an impasse was reached on the question of criminal jurisdiction, and the negotiations were recessed in December 1956. While negotiations have not been formally resumed, a number of matters have been resolved through diplomatic channels. The United States has agreed to turn over to the Philippines the Manila Air Station in July 1958; agreements have been concluded for the establishment of a Mutual Defense Board; and it has been agreed that Philippine liaison officers will be placed at major U.S. bases in the Philippines. Several major issues, including criminal jurisdiction, are still outstanding.

Objectives

21. A stable, effective, democratic Philippine government capable of carrying out economic development and social reform, and a stable, expanding Philippine economy, which will reflect credit on the democratic system.

22. Continued availability in the Philippines of necessary U.S. bases.

23. A Philippine military establishment capable of maintaining internal security and contributing to the defense of the Philippines and to the collective defense of the Western Pacific area.

24. Philippine policies based upon close relationship with the United States.

Major Policy Guidance

Political

25. Encourage President Garcia and his administration to (a) strengthen the efficiency and effectiveness of its operations, (b) reduce graft and corruption, and (c) restore the popular confidence in government which existed under Magsaysay.

26. Encourage the Magsaysay-oriented younger political leaders to become an effective united political force for economic and social reform.

27. Conduct U.S. relations and activities in the Philippines with full respect for Philippine sovereignty and independence, in order to foster an increased sense of mutuality in all aspects of U.S.-Philippine relations, including questions of defense and military bases.

28. Encourage the Philippines to (a) improve the quality of Philippine diplomatic representation in non-Communist Asia and (b) establish resident missions in Malaya, Laos, Burma and Cambodia.

29. Encourage and support training programs for other Free Asian nationals at qualified institutions in the Philippines, including the Pacific Defense College when established.⁹

30. Continue to improve the programs for educational exchange between the Philippines and the United States.

31. Encourage an effective public school system in the Philippines along the lines established during the period of U.S. administration. Encourage and give support to the continued use of the English language as (a) a practical educational tool and (b) a means of contact with English-speaking countries and with other nations of the world and among the Filipinos themselves.

32. Continue present information programs, and seek increased emphasis upon areas outside Manila.

33. Encourage the Philippine Government and the leaders of the Chinese Community to initiate policies designed to obtain the maximum non-disruptive rate of assimilation of the Chinese minority into Philippine life.

⁹ The Pacific Defense College was originally conceived as a joint U.S.-Philippine undertaking to establish a regional staff college for field-grade officers. By 1960 the United States decided that it should be a SEATO enterprise and put the bilateral project in abeyance. (Memorandum prepared in SPA, September 16, 1960; Department of State, SPA Files: Lot 64 D 391, B-1, Policy and Briefing Papers)

Economic

34. Encourage the Philippine Government to follow policies conducive to the sound development and diversification of the Philippine economy.

35. a. Continue to provide (1) economic and technical assistance to facilitate the development and diversification of the Philippine economy, and (2) technical assistance to help in expanding entrepreneurial, managerial, and other technical skills.

b. Seek to persuade the Philippine Government to undertake the necessary budgetary, monetary, and balance of payments measures for economic and financial stability; making clear that the Philippine Government is responsible for achieving and maintaining the internal financial stability essential to sound economic growth.

c. Consideration of any substantial expansion in the total amount of economic assistance to the Philippines should be dependent among other things on absorptive capacity in the Philippines and Philippine performance in utilizing available internal and external resources for well-conceived development purposes based on sound financial policies and administration.¹⁰

36. Encourage realistic Philippine programs to reduce existing social and economic inequities and to improve the standard of living of the average Filipino over the long term.

37. Continue to encourage, and support with technical advice, effective government administration, including measures to increase government revenues.

38. Be prepared to negotiate a double taxation convention with the Philippines as a means of encouraging private American investment.

39. Encourage the Philippines to create a more favorable climate for private investment, both domestic and foreign.

40. Seek full compliance with the terms of the Revised U.S.-Philippine Trade Agreement of 1955.

41. Encourage and maintain close and friendly commercial relations between the United States and the Philippines, especially during the period of transition outlined in the Revised U.S.-Philippine Trade Agreement.

42. Encourage the Philippine Government to develop its economy without relying on the assistance of unreasonable protective trade barriers.

¹⁰ This paragraph is not to be construed as prohibiting the use of the Development Loan Fund as part of the total amount of economic assistance. [Footnote in the source text.]

Military

43. Continue to provide military assistance for the purpose of assisting the Philippine armed forces to maintain internal security, to improve their capability to defend against external attack, and to make a limited contribution to collective security in the Western Pacific area.

44. Continue to improve Philippine public understanding of the mutual value of the U.S. bases to the security of both countries; through improved contacts with local public leaders and, where practicable, through increased participation by Philippine forces in the defense, protection, and operation of the base system.

45. Upon Philippine request, review those aspects of the bases arrangements with which the Philippines have expressed dissatisfaction, with a view to reaching mutually acceptable solutions.

46. Seek mutually satisfactory arrangements for unrestricted access to U.S. military bases in the Philippines by the forces of U.S. allies.

47. In the event of overt attack on the Philippines, take military and other appropriate actions in fulfillment of U.S. obligations under the Mutual Defense Treaty with the Philippines and the Manila Pact (SEATO).

413. Memorandum of a Telephone Conversation Between the President and the Secretary of State, Washington, June 12, 1958, 3:10 p.m.¹

The Sec returned the call and the Pres said he saw in the paper Garcia was coming over to urge we pay 800 million we owe them. The Pres said we paid until we bled. The Sec replied he is afraid he is coming over for that. The Pres asked why we invited him. The Sec said we have to live with him and we made it clear we would not consider anything of that sort. The Sec also said we are going to have a tough time with him. The Pres said we just say no. OK to make a deal to help him out and we get what we want too. The Sec explained the same trouble we had with Magsaysay.

[Here follows discussion on reciprocal trade.]

¹ Source: Eisenhower Library, Dulles Papers, White House Telephone Conversations. No classification marking. Prepared by Phyllis D. Bernau.

**414. Memorandum of a Conversation, White House,
Washington, June 18, 1958, 10:45 a.m.¹**

SUBJECT

Philippines—Need for Economic Assistance

PARTICIPANTS

United States
President Eisenhower
Secretary Dulles
Assistant Secretary Robertson
Ambassador Charles E. Bohlen
Mr. John Gordon Mein

Republic of the Philippines
President Garcia
Ambassador Romulo

President Eisenhower, referring to his press conference that morning,² stated that among his announcements he had expressed his satisfaction over the presence in Washington of President Garcia. The President asked President Garcia if he had anything he specifically wished to discuss.

President Garcia stated that he had come to the U.S. to discuss with President Eisenhower a few matters of great importance to the Philippines. He said that the Filipinos want to make their country a real showcase of democracy in the Far East but they are still facing some serious social and economic problems. The President believes the only way of convincing the masses that they should support democratic institutions is to give them a certain measure of economic stability. After independence the Philippines had undertaken an extensive rehabilitation program. This had been followed by the Huk rebellion which, happily, they had been able to suppress. After the rebellion the Government had instituted certain social programs. All this had involved expenditures in excess of their resources. One of the greatest things President Magsaysay had done was to win back the confidence of the masses, but in doing so he had overstrained Philippine resources. At the present time there are only pockets of Huks left, but there is a danger of recurrence unless something can be done for the masses. The President said he wished to continue the social amelioration program. The Philippine agrarian economy, however, cannot provide for the economic needs of the people, so they have felt it necessary to industrialize. The President said he felt that this industrialization program must continue and that the Philippines must maintain what he chooses to call an agro-industrial economy.

¹ Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Confidential. Drafted by Mein on June 23 and approved by the White House.

² For the transcript, see *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1958*, pp. 478 ff.

President Eisenhower asked whether any progress had been made since independence in giving the people better hand tools and better homes. President Garcia said that after the war it had been necessary to rebuild the houses destroyed during the military campaigns but that this had now been completed. As to hand tools and improvements in methods of cultivation, he indicated that some progress had been made over the past ten years. In reply to another question, President Garcia said that the average wages are higher today than they were several years ago, with minimum wages in the cities of 4 pesos and in the rural areas 2.50 pesos. In his opinion these are adequate wages, but he added that there are not sufficient jobs. Women are paid the same wages as men. It is important, therefore, that the economy be maintained and that there be sufficient jobs for all.

President Garcia stated that the Philippines have vast natural resources, most of them still untapped. His Government desires to develop these resources but to do so it must at the same time develop the industrial capacity of the country. He commented in reply to a question that the Philippines have potential water power resources which also need developing.

The Secretary asked whether Japanese reparations were going to be of assistance to the Philippines in carrying out their program. President Garcia said that in some ways they would but that \$25 million a year is not a very great amount for this purpose.

President Garcia, in reply to a question, discussed also some of the difficulties being encountered in combatting certain diseases which have been affecting the hemp and copra crops, and thereby reducing production. He said that efforts to fight these diseases are being made with ICA assistance.

President Eisenhower asked about Philippine plans for industrialization. President Garcia mentioned the plans for the construction of a steel mill, which would produce primarily tools and small machinery for agricultural purposes. He said that a loan application had been submitted to the Export-Import Bank and that a firm of engineering consultants had recently submitted to the Bank a favorable report. He confirmed that the steel mill would be constructed by the Government adding that eventually it would be sold to private investors. President Eisenhower said that we would study with the Philippine representatives their industrialization plans and consider them carefully, pointing out that we favor such a program in principle.

President Garcia said that another important problem they have is that of food production, primarily the production of rice. The Secretary commented that the U.S. Government had sold some rice to the Philippines under P.L. 480 but that the surplus supply in this country was not great and that therefore we were not in a position to sell as much

rice to the Philippines as they would like to acquire from us. President Garcia said that the aim of the Filipinos is to become self-sufficient in rice production and that they hope to increase the production by improved irrigation. For that reason he said many of the projects being submitted to the U.S. Government were for irrigation projects and that the Minister of Public Works had come with him as a member of his party.

President Garcia said that another important matter which they face is the improvement of their harbors. The Manila Harbor, for example, cannot accommodate ships of more than 35 foot draft. They are planning a program of reclamation and the construction of a foreign shipping section which would easily accommodate ships of up to 45 feet draft. For this purpose they hope to get a development loan for dredging, but since they expect to share with the dredging companies the reclaimed areas, he did not think that the reclamation itself would be expensive. He said that emphasis would also be placed on the construction of harbors in Mindanao. President Garcia discussed briefly some of the developments which have taken place in Mindanao, such as increase in population, construction of highways, and development of new cities.

President Garcia said these were the most important economic development plans and that it was of great importance that the 836 new industries be maintained. He said that the Philippine Government was finding it difficult in view of its depleted dollar reserves to acquire spare parts and replacements and to purchase raw materials. Since most of the industries have not as yet reached the production stage, the Government feels that it needs a breathing stage during which the dollar-earning industries may be fully developed. He said that the Government was attempting to encourage cottage industries and for that reason the power projects were of great importance. He said that the rural electrification program is probably the Government's largest undertaking in its program for the social amelioration of the rural areas.

President Eisenhower said that the interested people in the U.S. Government should have an opportunity to examine the projects. He emphasized that nothing of this magnitude could be done over night and also that the financial resources available were limited. The Secretary pointed out that we were at the end of a fiscal year and that next year's appropriations have not as yet been approved by Congress, which was an added difficulty in considering the Philippines' requests. The Secretary added that we could undoubtedly work out a schedule, however, taking account of all the probabilities and that we wished to be helpful.

President Eisenhower said that we were not as much interested in helping the large land owners as we were in raising the standard of living of the masses. He reiterated that we were anxious to be helpful to the Philippines and that we would study carefully the plans which they were submitting and discussing with us.

At the conclusion of the visit President Eisenhower signed Public Laws No. HR 6908 and HR 7251.³

³ The actual numbers of these signed bills were Public Law 85-461 and Public Law 85-460, respectively. (72 Stat. 200)

415. Memorandum of a Conversation, Department of State, Washington, June 18, 1958, 4 p.m.¹

SUBJECT

Philippines General—Outline of Philippine Request for United States Assistance

PARTICIPANTS

United States

Secretary Dulles
 Deputy Secretary of Defense Donald Quarles
 Mr. Samuel Waugh, President, Ex-Im Bank
 Deputy Under Secretary of State R. Murphy
 Deputy Under Secretary of State D. Dillon
 Assistant Secretary W. S. Robertson
 Ambassador Charles E. Bohlen
 Assistant Secretary of Treasury T.B. Coughran
 Dr. Raymond T. Moyer, Regional Director, ICA
 Deputy Assistant Secretary Gardner Palmer
 Mr. J. G. Mein, Director, Office of Southwest Pacific Affairs

Philippines

President Carlos P. Garcia
 Ambassador Carlos P. Romulo
 Mr. Florencio Moreno, Secretary of Public Works & Communications
 Mr. Jesus Vargas, Secretary of National Defense
 Mr. Dominador Aytona, Commissioner of the Budget
 Mr. Miguel Cuaderno, Sr., Governor, Central Bank of Philippines
 Mr. Eduardo Romualdez, Chairman, Rehabilitation Finance Corporation
 Lt. Col. Emilio O. Borromeo, Senior Aide to President Garcia

¹ Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Secret. Drafted by Brand, who is not listed among the participants.

The Secretary opened the meeting by referring to the survey of the Philippine situation which President Garcia gave President Eisenhower at the meeting this morning. He invited President Garcia to discuss the details of that survey.

President Garcia stated that the main purpose of his trip to Washington was to ask the United States Government for development loans to carry out a program of industrialization in the Philippines and to diversify the present agricultural economy. He stated that the present agricultural economy cannot support a growing population which has already reached 22 million people. Since the war and Independence, the resources of the Philippines have gone principally to reconstruction and rehabilitation of war damage. At the same time it has been necessary to divert strained resources to putting down the Communist-led rebellion of the Huks. President Magsaysay's greatest accomplishment was the quelling of the Huk Rebellion so that only a few leaders remained in a few pockets of resistance in the mountains. However, in order to put down the rebellion, Magsaysay initiated a program of social reform to show the people that a democratic society could solve their problems. This reform program has been a further burden on the limited resources of the Philippines.

At the present time the Philippines has a 4-Point program for which it needs assistance.

1. *Self-sufficiency in Food, Shelter, and Clothing:* The Philippine Congress has appropriated 20 million pesos for a food production campaign. These funds will be spent for a) fertilizers, b) experimental farms, c) selected seeds, and d) insecticides. However this program does not go far enough and any significant increase in production will require extensive irrigation systems. For these the Philippines does not have sufficient funds and is therefore submitting several irrigation project studies for United States assistance.

2. *Social Amelioration:* The health of the people must be improved by the installation of good water works to provide drinking water. United States assistance in building these is being requested.

3. *The Purchase of Raw Materials for Industry:* From 1953 to 1958 over 800 industries were established in the Philippines. The country's dollar reserves have been depleted to buy spare parts and raw materials for these industries. United States assistance is being requested to finance imports of machinery, spare parts and raw materials to maintain these industries.

4. *Improvement of the Port of Manila:* Ships drawing over 35 feet cannot now be berthed at piers in Manila harbor. As a result this export and import center has very high costs and unless it is improved these will be reflected in the stagnation of Philippine trade. Reclamation projects in the south harbor are planned to reclaim 1,000 hectares. In the north harbor congestion of inter-island shipping will be lessened by reclaiming another 600 hectares. Only equipment would have

to be financed by the United States; actual construction costs would be paid off by allowing the United States dredging firms to take over a certain percentage of the reclaimed land for re-sale.

Financing

President Garcia stated that the United States investment in the Philippines totals \$250 million dollars. However, from 1950 through 1957 United States firms in the Philippines sent profits and repatriated capital to the United States totaling \$197 million. It is obvious that this is a very high percentage of the total invested. If the Philippine economy declines, United States investors will suffer most because it will then be impossible for them to continue repatriating dollar funds to the United States.

For a three-year program the Philippines requests a total of \$229 million of which only \$100 million would be spent in the first year, slightly less in the second and third years. These funds would be used to buy imports, mostly from the United States. Only \$100 million would be required in cash. The rest could be covered in Export-Import guarantees. The loans could be repaid after 4 years since after the industrialization program begins no steel nor rubber will have to be imported and these dollar savings on imports could be used to pay off the loans. It is also hoped that exports will continue their recent increase.

Loans on capital goods under these programs would be repaid in 20 years time. Those used to buy raw materials for industry would be repaid in 5 years' time. A certain increase in the national debt would also be permissible since in the Philippines the national debt represents only 8.1% of the total national income. For comparison, in Pakistan the national debt is 17% of the national income. President Garcia believes that a figure of 10% would not be too reckless given the situation of the Philippine economy. He has confidence that the Philippine Congress at its session next year will pass new tax legislation since at this session it approved appointment of a tax study commission.

Hydroelectric Power Development

President Garcia said that in order to raise the standard of living in the rural areas, the hydroelectric potential of the country would have to be developed. Rural electrification will mean development of home and cottage industries from cheap power. The projects submitted for United States assistance fall into three geographical groups. The first in Mindanao will develop the Maria Cristina Falls from its present 100,000 kilowatts to its full potential of 750,000 kilowatts. This power will largely be used for the development of an industrial complex in Iligan and the surrounding area of Mindanao. The second

group will be on the Angat River in Central Luzon. This project is only 50 kilometers from Manila and will serve the new industrial complex being built in the metropolis. The Angat River development will generate 230,000 kilowatts and will supplement the facilities of the present Manila Electric Company. The total cost of the project will be \$20 million in dollar assistance. The third complex of hydroelectric stations is being constructed on the Agno River in Northern Luzon. These dams can serve to electrify the rural areas in Northern and Central Luzon. Hydroelectric power developments in the Visayan Islands will be relatively smaller and can be financed out of Philippine funds.

Steel Mill

President Garcia said that the Philippines has tremendous iron ore deposits, mostly on Mindanao. Since Mindanao is very sparsely settled, the large power potential of the Maria Cristina Falls can be used almost wholly for an industrial complex. Iron and nickel in very large amounts are at Surigao and iron ore exists in large amounts at Sibuguey, both on Mindanao. The Philippines now exports iron ore to Japan and imports steel in return. They have enough coal and plenty of iron and want to make steel locally. They foresee construction of three centers by the National Steel and Shipbuilding Company (NASSCO); the very large complex at Maria Cristina Falls and two smaller centers at the Angat River and at Pangasinan.

Settlement of Omnibus Claims

The Secretary asked whether there were any other matters to be discussed. President Garcia replied that he had not had time to discuss matters other than economic assistance at the morning meeting in view of President Eisenhower's interest in that subject. He stated that, however, he would like some commitment as to when the United States Government could reach a decision of the question of Omnibus Claims.² He stressed that he was not pressing for settlement now but that he would like an estimate of when these could be worked out. The Secretary pointed out that this was not a propitious time for settlement. He stated, however, that we do not feel that there is a legal or equitable basis for the great bulk of the Omnibus Claims although a few items might have some merit. President Garcia asked whether the dollar devaluation claim had been resolved within the United States Government. The Secretary replied that we believed this was one of the claims which had more basis than most of the others. He added that the United States Government would have to give more thought to the gold devaluation claim and that we would try to be in a position tomorrow to discuss further the dollar devaluation claim.

² See footnote 2, Document 399.

Secretary's Comments

In conclusion President Garcia introduced Mr. Romualdez, Chairman of the Philippine Rehabilitation Finance Corporation, who has been acting as head of the National Economic Council; Budget Commissioner Aytona; Secretary of Public Works Moreno, whose field includes the National Power Corporation, the NASSCO and the irrigation project; and Governor of the Central Bank Cuaderno. He suggested that these gentlemen would provide detailed information.

The Secretary thanked President Garcia for his presentation which elaborated on his outline to President Eisenhower and which would enable United States officials to come to grips in a more conclusive way with the problem. He pointed out that President Garcia had outlined a three-year program but that, except for the Export-Import Bank, the United States Government depends on annual appropriation of funds by Congress. Although the United States Government had tried to get funds for a period of several years in advance for the Development Loan Fund, Congress had appropriated money only on an annual basis. Therefore, the DLF's initial capital of \$300 million was far over-subscribed in applications. Applications amounted to \$1.5 billion. Congress has been asked for \$625 million more for the coming year and it is hoped that a substantial sum will be forthcoming, if not the full amount. We quite understand that the Philippine program requires several years and that the money cannot all be spent at once. We will have in some respects to limit our own participation to a shorter term but this would not preclude consideration in later years of individual financing.

The Secretary recalled the President's statement at the morning meeting that we are sympathetic to Philippine needs and are disposed to approach Philippine problems in a helpful manner, subject, of course, to our own limitations. He pointed out that as the President is aware, there are many claimants for the funds Congress gives us and that the strain of the Cold War in many parts of the world forces us to spend money in areas not of our own choosing. He reiterated United States awareness of a special relationship to the Philippines and added that we would take that into account.

The Secretary suggested that it would be useful if Mr. Dillon and Mr. Waugh could study overnight any memos which the Filipinos had brought with them and discuss various problems with the gentlemen whom President Garcia had introduced. He did not know whether the time of the visit was enough to allow the full study necessary for the projects. He pointed out that we had tried to give advance thinking to these problems and that we were not entirely unprepared since we had received through Ambassador Bohlen some indications of Filipino thinking. The Secretary stated that the United States might move in

the direction the Filipinos had indicated but that how far and how fast we moved would be dependent on factors beyond our control. He suggested that the meeting recess to allow Mr. Dillon and Mr. Waugh time to study and discuss the proposals and proposed that the full group meet again with President Garcia at 3:00 p.m., Thursday.³ He felt that it might be possible at that time to give the President a more definitive response. The President agreed with the Secretary's suggestion.

³ June 19.

**416. Memorandum of a Conversation, Department of State,
Washington, June 18, 1958¹**

SUBJECT

Economic Aid

PARTICIPANTS

The Honorable Florencio Moreno, Secretary of Public Works, Philippines
The Honorable Dominador Aytona, Commissioner of the Budget, Philippines
The Honorable Miguel Cuaderno, Governor of the Central Bank, Philippines
The Honorable Eduardo Romualdez, Chairman, RFC, Philippines
The Deputy Under Secretary of State, C. Douglas Dillon
The Honorable Sam Waugh, President, Ex-Im Bank
The Honorable Tom Coughran, Treasury
FE—Gardner E. Palmer, Deputy Assistant Secretary, Economic
W—John M. Leddy, Special Assistant

Mr. Cuaderno as principal spokesman for the Philippine officials elaborated upon the presentation made by President Garcia at the earlier meeting covering requested credits. This assistance was to cover the importation of raw materials for some 800 new industries which have been created in the Philippines in the last several years, machinery and equipment for new projects, and public works projects. Mr. Cuaderno emphasized that to import raw materials for the second and third years he did not need cash but simply a standby credit which would be used to guarantee such cost of such imports. Mr. Cuaderno mentioned that the Ex-Im Bank had provided similar credits in 1948.

¹ Source: Department of State, Conference Files: Lot 63 D 123, CF 1024. Confidential. Drafted by Palmer.

Mr. Waugh pointed out that at that time the Ex-Im Bank provided only a foreign exchange guarantee rather than a full guarantee of the paper, which was quite a different thing and not normally financed by the Bank except on a short-term basis. Mr. Cuaderno indicated that if he did not get such credits he would be unable to permit a high level of profit and capital transfers.

Mr. Dillon said that we wished to be responsive to the Philippine requests to the extent feasible within our system of operation. As the Philippine officials knew, except for the Ex-Im Bank our appropriations are on a yearly basis and obviously we cannot commit funds which have not yet been appropriated. As the Secretary had said to President Garcia, we had asked for DLF funds on a longer term basis, but the Congress had seen fit to appropriate only on a yearly basis. The funds presently available to the DLF are practically all earmarked and requests for financing far exceed the total available. He further indicated that there was some misunderstanding in the case of DLF earmarked for India and made the point that the total figure announced (\$75 million) was a ceiling only and not a line of credit. The DLF operates solely on a project basis and India's applications had far exceeded the ceiling established.

In answer to a question, Mr. Cuaderno said that the funds requested were wholly apart from the steel mill project because he understood that the project was now being considered by the Export-Import Bank. In further discussion, Mr. Cuaderno related the unused balance of the Ex-Im Bank credit (\$44.5 million) to the pending application for the steel mill. Mr. Waugh took exception to this statement on the grounds that the Ex-Im line of credit had been granted to the Philippines long before the steel project had been presented and that the latter never had been considered in connection with this credit. He stated that the Bank was ready and willing to discuss with the Philippines projects in the public and private sectors, and would not be averse to working out arrangements for the extension of a line of credit, but that he definitely wanted it understood that the steel mill project was separate and apart from such credit. He added that the Bank could not reach an early decision on the steel mill project since it had only just received some documentation which had been requested, and that it had not had time to study the final technical reports on the project.

Mr. Cuaderno said that the overall plan included some projects for which they hope to get financing from the International Bank for Reconstruction and Development. Specifically the Angat Hydro-Electric project for which they were asking the \$20 million, and the Maria Christina Hydro-Electric project requiring \$5.2 million, totaled \$25.2 million. He said that the Binga Hydro-Electric project had already been approved by the IBRD. In this connection he said that IBRD

financing is better than Ex-Im Bank loans because of the fact that it permits non-U.S. procurement. Mr. Waugh said he found difficulty in accepting this as fact since the Bank last year loaned over \$900 million for financing equipment purchases from the United States which went into various markets in Europe and other places.

Mr. Cuaderno said that in discussions with the IBRD next week Mr. Rosen, the Far Eastern man, wants to talk about the general economic picture in the Philippines.

Mr. Dillon mentioned our concern over the inflation in the Philippine economy; that although we had no particular ideas of our own in this respect to be forwarded, we felt that it would be useful for them to discuss these matters with the IMF. Further discussion disclosed that the Philippines have now asked for an additional drawing from the Fund. Mr. Cuaderno said they had had some discussions with the IMF at the staff level and next week would talk with the Executive Board. U.S. officials said they thought this would call for a Fund mission to Manila. Mr. Cuaderno did not think it likely that the Fund would wish to send a mission since one had been in Manila the end of last year.

In answer to a question by Mr. Coughran, Mr. Cuaderno said that the President expected to make a general rather than detailed public statement on the result of negotiations with the United States. Mr. Cuaderno added that he and his colleagues presently plan to remain in Washington after the President left and would stay as long as necessary to complete detailed discussions with various interested U.S. agencies and other institutions.

417. Memorandum of a Conversation, Department of State, Washington, June 19, 1958¹

SUBJECT

Philippines—The Dollar Devaluation Claim

PARTICIPANTS

United States
 Secretary Dulles
 Deputy Secretary of Defense Donald Quarles
 Mr. Samuel Waugh, President, Ex-Im Bank

Philippines
 President Carlos P. Garcia
 Ambassador Carlos P. Romulo
 Mr. Florencio Moreno, Secretary of Public Works & Communications

¹ Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Secret. Drafted by Brand, who is not listed among the participants.

Deputy Under Secretary

Robert Murphy

Deputy Under Secretary

Douglas Dillon

Assistant Secretary W. S. Robertson

Ambassador Charles E. Bohlen

Assistant Secretary of Treasury

T.B. Coughran

Dr. Raymond T. Moyer, Regional

Director, ICA

Mr. John M. Leddy, Special Assistant

Deputy Assistant Secretary Gardner

Palmer

Mr. John Gordon Mein, Director, Office

of Southwest Pacific Affairs

Mr. Jesus Vargas, Secretary of

National Defense

Mr. Dominador Aytona, Commissioner

of the Budget

Mr. Miguel Cuaderno, Sr., Governor,

Central Bank of Philippines

Mr. Eduardo Romualdez, Chairman,

Rehabilitation Finance Corporation

The Secretary stated that the President and the Executive Branch of the United States Government had decided to seek Congressional action to appropriate approximately \$24 million claimed by the Philippines as a result of the 1934 devaluation of the dollar. President Garcia asked whether there was a real possibility of getting Congress to appropriate this sum. The Secretary answered that Congressional sentiment was yet undetermined because the Executive Branch had resolved its own position only that morning and had not yet had an opportunity for informal preliminary discussions with Congressional leaders. Ambassador Romulo asked whether the Executive Branch would make its recommendation for Congressional action in this session. The Secretary answered that if preliminary discussion showed that the proposal would fall on receptive ground, the Executive Branch would recommend Congressional action in this session. He pointed out, however, that premature public discussion of this claim before informal discussions had been held with Congressional leaders might well prejudice the appropriation's future in Congress.

Mr. Robertson pointed out that the dollar devaluation claim had a very long and complex history in Congress. Although the law authorizing payment of the claim had been passed in 1934 by both houses of Congress and signed by the President, the responsible committees of Congress had refused to appropriate the funds authorized on the grounds that they saw no evidence that the Philippines had suffered a loss. On the other hand, various attempts to repeal the authorizing law had also died in committee. The Executive Branch of the government will begin tomorrow morning to do the necessary spade work but we have no idea of Congressional attitude. He pointed out that the Executive Branch's recommendation would be made by the President, Secretary of State, Secretary of the Treasury and all other interested officials of the Executive Departments. He stated that we are hopeful that we can get a decision from Congress. He recalled that in 1948 the Department of State, in replying to a Philippine request that the claim be

paid, had stated that further Executive Branch action in Congress seemed fruitless. He emphasized that today's action represents a reversal of that earlier decision.²

² The U.S. Government satisfied this Philippine claim by paying \$23,862,751 on August 4, 1959. See Department of State *Bulletin*, August 24, 1959, p. 279.

418. Memorandum of a Conversation, Department of State, Washington, June 19, 1958¹

SUBJECT

Philippines—U. S. Economic Assistance Loans

[Here follows the same list of participants as the memorandum *supra*.]

Secretary Dulles stated that the most important item for the meeting was to complete the text of the joint communiqué to be issued by President Garcia and President Eisenhower. He asked Mr. Dillon and Mr. Waugh to outline the conclusions reached on the question of economic development loans.

Mr. Waugh stated that the Export-Import Bank was willing to issue a new line of credit to the Philippines for project loans in both the public and private sectors up to a total of \$75 million. This new total would replace the remainder of \$44.5 million from the existing line of credit which is to expire June 30. The \$75 million would include a loan to the Manila Electric Company of \$10 million and \$15 million in bank lines to finance industrial development in the Philippines. Of the latter some \$10 million would be loaned through the Central Bank of the Philippines and \$5 million through private banks.

Mr. Dillon then explained the position of the Development Loan Fund (DLF). The DLF cannot make definite commitments of funds until Congress has appropriated funds for the coming fiscal year. The DLF has requested \$625 million from Congress but since this has not yet been appropriated, the DLF must avoid making firm commitments for funds not yet appropriated. If, however, Congress does appropriate additional funds approximately equal to this total, the DLF will be prepared to examine specific projects in the Philippines, not to exceed

¹ Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Secret. Drafted by Brand, who is not listed among the participants.

a ceiling of \$50 million. On the other hand if the appropriation request is cut substantially by the Congress then we would have to consider reducing the ceiling of \$50 million for the Philippines.

Steel Mill

Mr. Dillon said that the complete report (made by Koppers, Inc.) on the Philippine steel mill project had arrived in Washington only four to five days ago and is now being studied thoroughly in the Export-Import Bank. The United States will be unable to make a commitment at this time, but if thorough study shows that the steel mill is economically and technically feasible, the United States will give consideration to dollar financing by the DLF or the Export-Import Bank, depending upon the nature of the financing needed.

Mr. Dillon stated that any participation of the DLF in the steel mill project would be out of the \$50 million ceiling already mentioned. Mr. Waugh stated that, conversely, any loans made for the steel mill by the Export-Import Bank would be made separate and apart from the \$75 million line of credit which he announced. It was agreed that an aide-mémoire embodying the two positions of the DLF and the Export-Import Bank with regard to steel mill financing would be drawn up and given to the Philippines.

Financing for Imports of Raw Materials

The Secretary stated that he believed President Garcia would appreciate that the United States had tried very hard to meet the Philippine program laid before us. He emphasized that that program was designed for a three-year period and pointed out that the United States could not act at this time except upon the more immediate Philippine requirements. He stated that in later years if the Philippines came back with appropriate projects we would be prepared to study them in the light of the developments at that time. President Garcia asked whether the United States could consider assisting in the maintenance of the new industries in the Philippines by financing the importation of replacement parts for machinery and raw materials for those industries.

Mr. Waugh stated that on the overall program the Export-Import Bank had expressed a suggestion that the Philippines approach the International Bank for Reconstruction and Development (IBRD) on the question of obtaining financing for electrical equipment and for development of ports. He pointed out that the U.S. does not influence the IBRD but that the size of the program would appear to justify approaching the IBRD on these two items. As to the President's question on the financing of machinery and raw materials, he pointed out that the Export-Import Bank has little difficulty in financing machinery as

part of specific projects but that financing the importation of raw materials which would be used up in one year but not paid for in five years presented real problems for the Export-Import Bank.

President Garcia asked whether a five-year payment plan for raw materials was not possible. Mr. Waugh replied that there was no such plan, that the Export-Import Bank would finance imports of cotton paid off in over a one-year period, but that it could not finance other raw materials to be paid off over a five-year period.

Ambassador Romulo asked whether the Export-Import Bank had not financed raw material imports in other countries. Mr. Waugh replied only in the case of one-year financing for cotton. The Secretary pointed out that we had refused a French request to finance their oil imports during the Suez crisis. Governor Cuaderno stated that in 1949 and 1950 the Export-Import Bank had financed imports of raw materials to Mexico, Yugoslavia and Brazil. Mr. Waugh replied that this is and has been for some years against Export-Import Bank policy. President Garcia asked whether, if the Export-Import Bank could not finance a deferred payments plan for raw materials, the DLF would be able to do so. Mr. Dillon answered that the legal definition of the DLF limited it to financing on a project basis only and that it was not allowed to finance general imports of raw materials. Imports designed for specific projects such as steel for factories, railroads, railroad cars, etc., could be financed, but not general imports unrelated to specific projects. He suggested that some raw materials might be financed by DLF if they could be related to specific projects already approved.

Mr. Cuaderno referred to a 1953 Export-Import Bank loan financing raw materials in Brazil. Mr. Waugh replied that that was a poor loan and could not be repeated.

Ambassador Romulo stated that the present problem is to finance raw materials for 836 new industries. Mr. Waugh stated that if the Export-Import Bank could take over financing part of present development projects perhaps the financing of imports of raw materials could be found from the exchange resources so freed. Governor Cuaderno stated that it would be very difficult to continue building an industrial economy since the Philippines could not rely on its own meager dollar earnings to supply raw materials for industries. During the last ten years, the Philippines had used its meager dollar reserve for this purpose but had gotten only one loan from the United States. In 1955, he had told the late President Magsaysay that the Philippines could no longer continue to use its dollar reserve and had obtained from the Export-Import Bank a line of credit to finance industrial expansion. He had been unable to use this line of credit for 17 months because the owners of the new industrial projects had insisted upon buying less expensive European equipment rather than drawing down the Export-Import loan by buying American equipment. He described the dollar

savings that had already been made through the establishment of new industries and the reduction of dollar imports. He pointed out, however, that domestic prices were being forced upwards because the Philippines was so short of dollars and could no longer finance such important raw materials imports such as steel for barrel and drum factories.

Mr. Dillon stated that the United States had recognized the Philippines problem and its need for dollars to carry on an industrialization program and still be able to pay for raw materials. The United States felt that \$75 million from Export-Import Bank and \$50 million from the DLF, plus any IBRD financing the Philippines could obtain, would relieve the Philippines of the expense of financing development programs and leave them free to use their dollar export earnings to finance imports of raw materials. Mr. Waugh then corrected certain statements of Governor Cuaderno regarding past Export-Import Bank loans to the Philippines, and there was some discussion of details between him and Governor Cuaderno. (At this point the Secretary left.) Mr. Dillon suggested that if Governor Cuaderno and certain of his colleagues were going to remain in Washington, the details of this problem could be discussed later. He repeated that if there were imports needed for specific DLF projects the DLF could finance the importation of those raw materials.

General Discussion

President Garcia asked whether it would be possible for the United States to increase the \$50 million ceiling tentatively set by the Development Loan Fund for project loans to the Philippines. Mr. Dillon answered that the DLF had a big problem in that they did not know how much money would be made available by Congress for the coming year. He pointed out that if the \$625 million maximum is appropriated, the DLF is faced with requests from countries all over the world totaling over \$3 billion. Under those circumstances the DLF, which is faced with problems all over the world arising out of the cold war, could not go beyond \$50 million for the Philippines. Also, if Congress did not appropriate the \$625 million requested, the \$50 million being discussed for the Philippines would need to be reexamined.

President Garcia then suggested that some kind of an arrangement might be made which would make funds available for another year. Mr. Dillon suggested that the situation might be clarified if the communiqué were to state that the \$50 million plus \$75 million were intended to meet immediate requirements. President Garcia stated that he would like to increase the figures for the purpose of the communiqué. Mr. Dillon replied he did not see how that could be done but suggested the following additional paragraph for the communiqué:

“The Philippine officials outlined a long-term program for economic development. In view of the inability of the United States to anticipate financial availabilities and relative requirements beyond the next 12 months, consideration was given only to the current requirements of the development program of the Philippines.”

President Garcia suggested that language be adopted in the communiqué to use one total figure and not to refer to specific agencies of the United States Government. Mr. Dillon stated that the problem stemmed from the fact that funds were to come from different organizations of the government. He pointed out that the Export-Import Bank is a separate organization not connected with any government department. Mr. Waugh stated that the communiqué might refer to the U.S. Government and not list the breakdown of figures.

At this point there was a long recess following which Mr. Dillon stated that an aide-mémoire spelling out Export-Import Bank and DLF financing plans would be given to the Philippine Embassy for transmission to its Government. He also stated that claims other than the dollar devaluation claim would be considered by the United States Government and that the United States Government's decision would be communicated to the Philippines at some time in the not too far distant future. At that time the United States would also want to discuss and resolve various questions outstanding on the Romulo-Snyder Agreement.² Finally, he stated that the United States has felt that the whole Philippine development program can be effective only in an atmosphere of economic stability. He expressed United States pleasure at Governor Cuaderno's statement that the Filipinos intended to talk with officials of the IBRD and the International Monetary Fund (IMF). The United States Government felt that such discussions would be most worthwhile. The United States has no particular suggestions of its own, but does want to emphasize the importance of such conversations.

President Garcia protested that withholding loans until a climate of economic stability was established would be putting the cart before the horse since the Philippines had planned to use the United States loans to establish economic stability. Ambassador Bohlen explained that the United States did not intend to make the loans dependent

² The Romulo-Snyder Agreement originated with funds (about U.S.\$47 million) advanced by the U.S. Philippines-Ryukus Command to the Philippine National Defense Forces in 1948 for paying certain claims. It was also agreed by U.S. and Philippine military commanders that the sum in excess of the total amount of the claims would be returned to the United States no later than December 31, 1949. No part of it, however, was returned by the deadline date. This Philippine obligation was converted to a loan by the Romulo-Snyder Agreement (signed at Washington November 6, 1950; entered into force the same day; 1 UST 765) which included conditions for the repayment of \$35 million plus interest over a 10-year period. The Philippine Government defaulted in 1955. Thus the Romulo-Snyder Agreement became an outstanding issue between the two governments for a number of years.

upon the establishment of financial stability. The reason for Mr. Dillon's suggestion was that we would be happy to see discussions between the Philippines and the IMF especially if they were to clarify the reasons for recent Philippine difficulties with their foreign exchange reserves.

President Garcia and Mr. Dillon again discussed the clarification of steel mill financing with relation to Export-Import and DLF figures. President Garcia asked whether some mention could be made of the IBRD in the communiqué. Mr. Waugh explained that the IBRD would have to be left out since it was an international organization and could not be properly included in a communiqué between the Philippines and the United States.

At this point a discussion ensued between President Garcia and the Americans present regarding the possibility of the timing of the communiqué. It was decided that the communiqué could not be issued that evening. At this point President Garcia left for his official reception (it was then 5:30) and discussion continued between Governor Cuaderno and the Americans present. Mr. Waugh also left.

Governor Cuaderno's discussion can best be summarized as numerous attempts to raise the overall figure of US assistance listed in the communiqué. He brought up many of the questions which had already been discussed. During the discussions he stated that the Central Bank would have to ban further dollar remittances unless the communiqué contained a definite statement concerning financing of the steel mill. Mr. Dillon replied to Governor Cuaderno by pointing out that \$75 million from the Export-Import Bank plus Export-Import consideration of the steel mill as an extra project if taken up by that organization, plus \$50 million from DLF was the limit of US availabilities during the coming year.

Mr. Robertson announced that President Eisenhower was leaving at 9:30 in the morning for Quantico and, therefore, the communiqué would have to be worked out and cleared by him before that time. That in effect meant that the communiqué would have to be decided upon that evening. Governor Cuaderno suggested that the DLF agree to consider any of its loans for the steel mill outside the figures of the \$50 million ceiling. Mr. Dillon replied this would not be possible.

Governor Cuaderno stated that the President was very unhappy with the amount of aid made available and that the Filipinos felt that this amount would be very difficult to present to the Philippine public and would create a political problem. Mr. Dillon replied that the United States Government has made the best efforts that it can make and that the steps taken have been most unusual and would not be made for every country.

Secretary Robertson pointed out that the DLF is for the whole world and must be apportioned on that basis. He expressed surprise that President Garcia was so disappointed. He stated that the United States had felt that to make available \$125 million for the Philippine development program was a great accomplishment.

Ambassador Bohlen stated that he was very surprised that the Filipinos should have expected a \$300 million credit. He himself had told President Garcia and all the Filipinos present no less than five times that such a figure would be impossible for the United States to provide. In addition, the Secretary had told President Garcia at the time of the SEATO meeting that it would be very difficult to find money for economic assistance under present circumstances.³ Ambassador Bohlen had understood that the Philippines were presenting a three-year program for \$300 million and, therefore, could not comprehend the Philippine reaction of disappointment at obtaining \$125 million for immediate requirements. Governor Cuaderno then repeated all the previous arguments which had been thoroughly discussed several times before.

Mr. Romualdez asked why the United States was including both the Export-Import Bank and the DLF with regard to financing the projected steel mill. Mr. Dillon explained that the DLF was considering participation in part of the steel mill project in order that the United States might finance the purchase abroad of equipment for the mill. He pointed out that the Export-Import Bank was limited to financing purchases of United States equipment. Mr. Romualdez felt that there should be no reference to the DLF financing part of the steel mill. Mr. Dillon stated that the participation of the DLF in the steel mill depended upon the pattern of financing which developed between the Export-Import Bank and the DLF.

Mr. Robertson suggested that since it was not normal to include an economic section in a communiqué between heads of state that we might omit the economic section. Governor Cuaderno hastily demurred, stating that the economic section was the part about which the Filipino people were most worried. Mr. Robertson endorsed Ambassador Bohlen's statements regarding United States inability to finance very large loans. He again stressed that the DLF was created for the whole world and reminded the Filipinos that every country has its own problems. Ambassador Bohlen stated that the communiqué referred to immediate requirements only and that the United States could not make commitments for a 3-year period. He pointed out that the Filipinos themselves could easily argue publicly that the \$125 million represented the first year and that the United States would consider the next two years at the proper time. Governor Cuaderno

³ See Document 399.

stated that all projects had to be begun at once or the economic development of the country would lag. Ambassador Bohlen replied that on the contrary it would appear quite feasible to reduce their plans for starting all projects in the first year and hold off those of lower priority until credits had been raised for the following years. Mr. Robertson pointed out that the United States budgetary deficit will be \$15-\$20 billion for the next two years on top of an already existent United States debt base of \$275 billion. He pointed out that Governor Cuaderno, as a distinguished banker, could not fail to be disturbed at these figures nor to understand that the United States just cannot make commitments for future years. Governor Cuaderno argued that the Export-Import Bank does not need appropriations from Congress and suggested that the Export-Import Bank set up a line of credit for the three-year period subject to approval of the feasible projects presented. Mr. Dillon pointed out that the Department of State had had lengthy discussions with the Export-Import Bank as a result of which the Export-Import Bank had agreed to extend a credit of \$75 million, and that they would consider (without commitment) additional loans for the steel mill if their study showed that the mill was economically and technically feasible. He stated that it would be impossible to get the Export-Import Bank to go further. Governor Cuaderno replied that the Filipinos would have to report the United States position to President Garcia and await his decision. The meeting adjourned at 6:20 p.m.

419. Memorandum of a Telephone Conversation Between the President and the Secretary of State, Washington, June 19, 1958, 6:10 p.m.¹

The Sec said we are having a rough time with Garcia on the communiqué and he will have a draft to show him at dinner tonight. What we have got is a 75 million dollar Ex-Im Bank Credit and a 50 million dollar for development loan contingent upon our getting the requisite funds from Congress and then there would be if and when we get it, though we are not saying anything about it in the communiqué, 25 million dollars on this gold claim. They have a 3-year 300 million dollar program and this meets their purposes which Garcia

¹ Source: Eisenhower Library, Dulles Papers, White House Telephone Conversations. No classification marking. Transcribed by Bernau. The call came from the Secretary.

admits but he wants to be able to mention 200 million even though they don't spend it. There is no way of getting it and it would not be in good faith with a side agreement that he would not call for it. The Sec thinks we should stand firm. G² pretends to be unhappy. Bohlen thinks he probably is satisfied and should be. He will press the Pres tonight so you will probably have an unpleasant time of it. The Pres said the answer to him is we cannot promise money that is not appropriated and authorized. We have to work on a yearly basis and have to keep good faith with the Congress as with him. The Sec will bring a draft³ to dinner.

² President Garcia.

³ A joint statement was issued on June 20 and printed in *Department of State Bulletin*, July 21, 1958, pp. 120–121.

420. Telegram From the Embassy in the Philippines to the Department of State¹

Manila, August 21, 1958—6 p.m.

670. Reference: Embtel 653, 660.² As anticipated rising newspaper publicity and reported statements by senators and other officials urging resumption of base negotiations apparently pushed Garcia and Serrano into a private discussion of the question, resulting in following official Malacanang³ statement: "President holds view that at this stage there is need for exploratory talk on normal diplomatic level to determine basis for the resumption of formal negotiations on the bases".

According to afternoon papers Serrano followed up Presidential statement by saying that exploratory talks would not be undertaken until after his return from UNGA in mid-October, and following preparatory measures taken: (1) time and place for exploratory talks; (2)

¹ Source: Department of State, Central Files, 711.56396/8–2158. Confidential. Repeated to CINCPAC.

² In telegram 653 from Manila, August 20, Bohlen reported that base issues made front-page headlines in Philippine papers, having been stirred up by statements of an unidentified U.S. official to a correspondent in Washington to the effect that the United States did not wish to resume the base negotiations. (*Ibid.*, 711.56396/8–2058) In telegram 660 from Manila, also August 20, Bohlen added that there was a UPI story on U.S. bases. (*Ibid.*, 711.56396/8–2058) These prominent press stories increased the Philippine discontent brought about by the slaying of pilferers at the Clark Air Base on July 27. (Telegram 684 from Manila, August 22; *ibid.*, 961.61/8–2258)

³ The Philippine presidential palace.

measures to avoid premature publicity; (3) spelling out of points of agreement and disagreement; (4) proper documentation of talks for reference purposes; (5) selection of FonOff personnel to assist Secretary. Garcia was also quoted as warning against hasty action until Philippine specialists had made thorough study of basic causes of disagreement. If we can credit these newspaper reports it would seem that both the President and Serrano are anxious to reduce the current pressure for precipitate action and are desirous of approaching the subject in an orderly and dignified manner, which would be all to the good. I will be seeing Serrano tomorrow at a reception and will hope to receive clarification of Phil intentions.

Bohlen

421. Telegram From the Department of State to the Embassy in the Philippines¹

Washington, August 30, 1958—6:08 p.m.

621. Ref: Deptels 3370, 2377.²

1. We aware that, in discussing jurisdiction arrangements in October talks, you may be faced with Phil refusal agree on any general waiver arrangement on grounds no such arrangement exists between US and Japan. Under present circumstances you would be unable divulge existence [*less than 1 line of source text not declassified*] arrangement between US and Japan, under which Japanese have in effect granted general waiver their primary jurisdiction except in cases particular importance to them. In light President Garcia's Washington speech before National Press Club, we can only expect Phils demand from us equal treatment with Japan; [*2 lines of source text not declassified*].

2. Japanese Government has expressed desire to obtain modification existing US-Japanese security arrangements so that we will consult (i.e. reach mutual agreement) with them before we take action [*less than 1 line of source text not declassified*] to use our bases or forces in Japan for operations outside that country [*less than 1 line of source text not declassified*].

¹ Source: Department of State, Central Files, 711.56396/8-3058. Secret; No Distribution Outside Department. Drafted by Brand; cleared with SPA, NA, and FE; and approved by Parsons. Repeated to Tokyo.

² Documents 401 and 397.

One important factor we would wish take into account in considering Japanese desires would be effect such modification on our relations with Phils and would appreciate your estimate.

Herter

422. Telegram From the Embassy in the Philippines to the Department of State¹

Manila, September 2, 1958—4 p.m.

789. ReDeptel 621 sent Tokyo 332.²

1. A) Re para 1 reftel, it is our feeling that in any base discussions with Phils we will be facing serious handicap if we unable reveal existence of [*less than 1 line of source text not declassified*] Japanese minute. As Dept aware, Phils very sensitive to treatment we give Japanese and during Bendetsen negotiations and following Phils made constant reference to fact we would not give them same jurisdiction arrangement we have with "ex-enemy Japan".

B) [*2 lines of source text not declassified*]

C) Our idea on dealing with this problem is that at appropriate time during confidential discussions with Serrano we inform him of its existence demonstrating its implementation with available public statistics on waivers by the Japanese. We do not believe that the text of the Japanese minute should be shown to Serrano or that we should make any specific explanation of how it works. We do not believe that informing Phils of Japanese [*less than 1 line of source text not declassified*] minute would in any way change their attitude on waiver problem but would at least remove point which has had continuing deleterious effect on discussions jurisdiction.

D) [*4½ lines of source text not declassified*]

2. A) Re para 2 reftel, we fully expect these two questions to be brought up by the Phils during the forthcoming exploratory talks on bases. The question of use of bases in Phils for combat operations not involving Phils arose during Bendetsen talks. [*3½ lines of source text not declassified*]

¹ Source: Department of State, Central Files, 711.56396/9–258. Secret; No Distribution Outside Department. Repeated to Tokyo.

² *Supra*.

B) Any modification in present arrangements with Japanese would be used by Phils to justify and support changes they desire in US-Phil relations. In view press coverage being given locally to desires of Japanese to effect changes in administrative agreement, we can expect Phils to be alert to any changes or suggested changes by Japanese and to seek equal if not better treatment from the US.

Bohlen

423. Telegram From the Embassy in the Philippines to the Department of State¹

Manila, September 4, 1958—6 p.m.

822. Eyes only for the Under Secretary. There is a matter which I foresee coming up in the near future on which I will need guidance. In view of its extreme sensitivity I am sure you will agree that it should be handled under the eyes only control.

I believe it almost inevitable [*less than 1 line of source text not declassified*] that sooner or later the question of the utilization by U.S. of these bases in the Philippines if the Phils are legally neutral will arise. In fact, this question has already been posed in local press in connection with the arrival of air reinforcements at Clark Field. The subject has not yet been raised with me by Garcia and Serrano in the talks I have been having with them concerning the Taiwan situation but has been informally mentioned by Phil officials in conversation with members Embassy staff.

As you know, our bases agreement and defense treaties with the Philippines are completely silent on this subject. My present instructions for possible future bases talks on this point, as set forth in Deptel 3370 (para 1c) referred to as still valid in Deptel 622,² are in a completely different context and not adequate for present situation. In general they deny any obligation to consult with Philippines in regard to base utilization during wartime, although it is admitted that this is a difficult problem in light of our commitments to U.K. and other countries in which we have bases. However, I am instructed to stress that

¹ Source: Department of State, Central Files, 711.56396/9-458. Top Secret; Priority.

² Telegram 3370 is printed as Document 397. Telegram 622 to Manila has not been found in Department of State files. Apparently the reference is to telegram 621 to Manila, Document 421.

bases are purely defensive and “of course U.S. would consult with Philippines before use to extent time and circumstances permit.” [4 lines of source text not declassified]

[1 paragraph (17 lines of source text) not declassified]

I fully appreciate our desire to avoid any limitation on use of bases [1½ lines of source text not declassified]. However, I am sure you realize that the nature of reply we would give to any formal inquiry on this subject in the present situation would, assuming as we all hope that the present crisis can be safely tided over, have a very fundamental effect upon the Philippine attitude toward the continuance of our present base structure here. I accordingly would very much appreciate your views after consultation with other interested departments as to what answer I should make in event of such inquiry.

Bohlen

424. Telegram From the Embassy in the Philippines to the Department of State¹

Manila, September 6, 1958—4 p.m.

839. Part 1. Last night (Sept 4) shortly following the conclusion of the NSC meeting General Nutter,² CHJUSMAG, was called by office of Chief of Staff, AFP, and asked if he could meet with Chief of Staff Arellano at 9:00 this morning (Sept 5). General Nutter met as scheduled with Arellano with Vargas, Cabal³ and Santos⁴ present during parts of conference. Vargas and Arellano made the major presentation to Gen Nutter to the effect that during yesterday’s NSC session concerning Taiwan Strait situation the political leaders expressed apprehension over the defensive capability of the AFP. At the NSC meeting Gen Arellano had made a presentation as to the AFP’s capabilities to protect the Phils against external aggression with the material and equipment presently available; he also presented what could be expected from the US under MAP for the next two years; and he expressed the AFP idea of what was needed for full protection against

¹ Source: Department of State, Central Files, 796.5/9–658. Secret. Repeated to CINCPAC for POLAD, CINCPACFLT, CINCUSARPAC, CINCPACAF, CINCPACREPPHIL, COMNAVPHIL, 13th AF, and CHJUSMAGPHIL.

² Major General William H. Nutter, Chief, Joint U.S.-Philippines Military Advisory Group.

³ Brigadier General Cabal of the Philippine Army.

⁴ Brigadier General Santos, Philippine Deputy Chief of Staff.

aggression. As a result of this presentation and the expression of concern by the political leaders, Sec Vargas and Gen Arellano indicated their desire to speed up deliveries under the MAP and to expand US military aid to the Phils. During the course of the discussions it appeared to Gen Nutter that the Phils are thinking in terms of an army of one regular division, three stand-by divisions, five reserve divisions; ultimately an air force of three wings; and for the navy they mentioned destroyer, destroyer escorts and floating dry docks illustratively. The immediate concern however is to speed up deliveries which as a first priority would provide full equipment for the one regular division with anti-aircraft, tanks and 155mm guns in that order of priority. In addition they felt it necessary to have small arms and individual equipment adequate to meet the requirements of the three stand-by divisions so that all three are capable of being called up at the same time. The heavy equipment for these divisions could be provided at a somewhat later date. The principal emphasis was placed on getting the necessary small arms and individual equipment for training purposes. On the air force side their concern centered on receiving the remaining aircraft for the second squadron and the aircraft for the third squadron as soon as possible. Mention was also made of the need to have a sixty-day stockpile level of ammunition. While no mention was made of fund requirements or the budgetary capability of the Phils, they made reference, on several different occasions, of their ability to be able to supply only manpower.

Vargas and Arellano requested Gen Nutter to review their request with the Amb and to provide them with our reaction by Monday⁵ so that they might advise a group of forty Congressional leaders whom they are scheduled to brief on our position on this request. I suggested to Gen Nutter that he tell Vargas and Arellano that we are in no position to take action here on their request but that we have advised Washington of it and that it would receive the most serious consideration there. The General will also point out to them that we here are not aware of available aid funds as a result of recent Congressional action and that we have asked Washington to furnish us guidance concerning their request.

Part 2. Vargas also informed Gen Nutter that during the NSC meeting, Pres Garcia directed Sec Serrano, during his visit to the US, to seek an appointment with President Eisenhower, through Secretary Dulles, to discuss military aid for the Phils. Vargas indicated that Serrano would be accompanied by an officer of the AFP, probably Colonel Garcia,⁶ the AFP G-4 who will act as military advisor to Serrano. Gen Arellano stated that the question of increased military

⁵ September 8.

⁶ Colonel Dominador Garcia.

aid would be a subject he planned to discuss with Adm Felt⁷ during the latter's visit to Manila next week.

Part 3. Arellano in relating events that transpired at the NSC meeting indicated that it took approximately one hour and ten minutes to develop the statement released by the President following the meeting. Arellano also indicated and Vargas reiterated that, although the statement did not state it explicitly, the Phils would be with us in the event of any US military action in connection with the Taiwan Strait situation. Arellano implied that there would be no problem about the use of the bases we have here for military operations. (Arellano's statement of the attitude taken at the NSC on the question of the use of our bases here has not been confirmed by any other source and must be treated with great reserve. It may have been put forward by him as a move in connection with the request for aid.)

Part 4. During the discussions of ammunition and equipment for the stand-by division the question arose of establishing a stockpile here in the Phils. When queried as to where they envisaged the stockpile would be located they indicated that it would be on our bases or afloat on ships in the harbor, or storage facilities could be erected on their installations. It was pointed out to them that a stockpile of this type undoubtedly would be considered by the US as being available to meet regional requirements. They acknowledged that fact but felt that for domestic reasons it would have to have the appearance of being a Phils-US stockpile though they as military men realized that we might have to utilize it to meet regional requirements.

Part 5. *Comment:* We recognize that the request may be unrealistic and that, in large measure, it is by product of climate here resulting from Taiwan Strait situation. Nevertheless we feel that it should be given consideration and handled in manner that gives Phils feeling it has received attention of highest US authorities.

Bohlen

⁷ Admiral Harry D. Felt, Commander in Chief, Pacific.

425. Telegram From the Department of State to the Embassy in the Philippines¹

Washington, September 11, 1958—9:27 p.m.

747. Eyes only for Ambassador. Embtel 822.² After consultations with Defense officials we have following views regarding problem you raise in reftel.

Question use of bases in time even limited hostilities breaks into a) use of bases as steps in logistics and supply lines to combat zone, b) use bases for staging strikes directly against hostile territory or forces.

Unless you consider Philippines may take negative attitude, believe it proper for you casually to inform Filipinos in general terms regarding use we are making now of bases under a) above. Believe advisable for you take such steps in order lessen chances Philippines might not only raise question consultation on bases use but might also insist upon negotiating agreement for joint determination for bases use.

Regarding b) above you should not raise this point with Filipinos. If they raise you should inform them you have no knowledge of plans to use bases under present circumstances.

[2 paragraphs (14½ lines of source text) and footnote (6 lines of text) not declassified]

Dulles

¹ Source: Department of State, Central Files, 711.56396/9-458. Top Secret; Priority. Drafted by Brand; cleared in S/S, OSD, SPA, FE and L; and approved by Robertson.

² Document 423.

426. Memorandum of a Conversation, Department of State, Washington, October 8, 1958¹

SUBJECT

U.S. Military Assistance for Philippines

PARTICIPANTS

Mr. Felixberto Serrano, Philippine Secretary of Foreign Affairs
 General Romulo, Philippine Ambassador
 Minister Manuel Collantes

¹ Source: Department of State, Central Files, 796.5-MSP/10-858. Secret. Drafted by Mein.

The Secretary

Mr. Robertson, Asst. Secretary for Far Eastern Affairs

Mr. Irwin, Asst. Secretary of Defense for Int'l Security Affairs

Mr. Blick, Chief, Requirements Systems & Coordination Br.-Overseas

Mr. Mein, Director, Office of Southwest Pacific Affairs

After a brief exchange on the Taiwan Straits situation the Secretary referred to his talk with Secretary Serrano in New York on September 27² when they had discussed the Philippine request for equipment for four divisions. The Secretary referred to his statement at that time that he was not familiar with the position of the Department of Defense and that he would discuss the matter with Defense upon his return to Washington. For that reason, he said, Mr. Irwin, Assistant Secretary of Defense, had been asked to be present.

The Secretary said that an important element in the picture is that there has been a very large build-up of U.S. power between the Philippines and the danger point, that is, Taiwan Straits, and that this constituted a shield for the Philippines. Also, as a result of the attacks against the Nationalist Chinese it has been necessary for us to use many of our assets to help the fighters on Taiwan. We proceed on the theory that we prefer to have the fighting take place as far away from our territory as possible and for that reason we have established a shield in the area. As a matter of fact we do not have many of our forces at home. We must, therefore, ask that the Philippine Government also consider its defenses not only in terms of what it has in its home territory but with our military strength in the area, which has been built up considerably, also in mind. He said that at the present time we have the strongest air and navy forces ever assembled in that area.

Mr. Irwin said that the objectives of the Department of Defense and of the Philippine Government are one and the same but that the problem is one of time and funds. In 1955 there was an agreement for the establishment of four divisions in the Philippines and for the modernization of the Philippine Air Force and Navy.³ During 1956–58 the Philippine budget had not been adequate to take care of the progressive build-up of the Philippine forces so that the Philippine Government had taken the position during that time that there was no urgency. Now, with the world situation being what it is, the Philippine Government evidently feels that there is some urgency. There are several factors, however, which must be considered: 1) The U.S. Congress cut back the amount of military assistance funds available and it

² A memorandum of this conversation is *ibid.*, Secretary's Memoranda of Conversation: Lot 64 D 199.

³ The agreement relating to military assistance was signed by the United States and the Philippines in Manila April 27, 1955; entered into force the same day. (TIAS 3231; 6 UST 847)

is anticipated that we will have difficulty in obtaining sufficient funds from Congress this year. 2) The available funds have had to be used extensively in meeting the crises in the Middle East and the Far East. 3) The Philippine financial situation is not the best and the government is operating with a budget deficit. If we had provided as originally planned the Philippine Government would have required some \$16 to \$18 million more a year.

Mr. Irwin said that in order to assist the Philippine Government in a more rapid development of its military establishment we are prepared to take the following specific actions:

1. Expedite deliveries of the remaining 20 F-86F's required to complete the second squadron, with arrival scheduled for the last quarter of FY 59. This would move the Philippine Air Force closer to its goal of three jet fighter squadrons.
2. Provide for the delivery of selected items of engineer, ordnance and signal equipment to the Philippine Army in FY 59.
3. Provide delivery of four coast guard patrol boats to the Philippine Navy in the 4th quarter of FY 59.

Mr. Irwin said also that without being able to give a commitment at this time we would hope to deliver in FY 60 six 155 Howitzers and 7 M-41 tanks for the Army. We will also consider financing the dollar cost of materials necessary to complete the construction of the training center of Laur, the airfield at Basa, and aircraft control and warning sites. One of the difficulties is that the U.S. had agreed to pay the peso costs of these constructions with the Philippine Government undertaking to provide the dollar costs of approximately \$1.5 million. We have the impression that the Philippine Government because of its foreign exchange position cannot finance the dollar costs. We do not ourselves have the necessary funds and for that reason we cannot at this time make a commitment that we will undertake that construction. Mr. Irwin said that we would also consider delivering in FY 60 the 30 F-86F's needed to convert to jet planes the third fighter squadron of the Philippine Air Force. He said there apparently is a problem involving a change-over from all-weather to reconnaissance planes.

All this, Mr. Irwin said, means an increase in cost of \$25 to \$35 million and there is a real question as to how this additional cost will be met. The Department of Defense appreciates the problem facing the Philippine Government and will do all it can to assist. He would emphasize, however, what the Secretary had previously said and that is that we have assembled in the Far East the greatest fleet ever brought together and that this in itself should be reassuring to the Philippines.

Secretary Serrano said that it is well known that the Philippine Government is having great economic difficulties. It is the hope of his government that the U.S. Government will help the Philippine Gov-

ernment in meeting its military requirements during this period. The Philippines would hope within a few years as a result of an improvement in the economic situation to be able to assume its share of the burden. He hoped that the U.S. would view the situation and the Philippine Government requirements sympathetically. Secretary Serrano wondered if it would not be possible, therefore, for us to agree to a progressive program which would enable the Philippine military authorities to plan on a definite basis. The Secretary suggested that Mr. Irwin put in a letter, which Ambassador Romulo could deliver to Secretary Serrano, the program contemplated by the Department of Defense as he had outlined it.

The Secretary said that we in the United States also have a very serious budgetary problem with a \$12 billion deficit anticipated this fiscal year. He said that as Secretary Serrano could see we also have our problems so that we cannot do all we want. We don't allow any problem, however, to stand in the way of being ready and willing to help our friends and allies to meet their problems of defense and security. We showed that in Lebanon and now in Taiwan. The Philippines, he said, can be assured we would be prepared to show it more clearly in their case since we have a special interest in them. The Secretary said we are strong and determined and we will see to it that the free world does not collapse because of military weakness. We cannot, however, afford to spend any money for our own or anybody else's military requirements which are not imperative.

The Secretary said we were interested in the Communist Chinese statement that there is no place for the U.S. in the Western Pacific. The Chinese Communists want to dominate that entire area. This is a frank exposure of their intentions. We, however, do not intend to withdraw from that area as long as we have friends that want us to stay. We are not going to desert our friends and the power which we have assembled there should be reassuring to them. We will nevertheless try to develop within our budgetary limitations such a program as we can for the Philippine Government.

Secretary Serrano said that the Philippines fully realize the world commitments undertaken by the U.S. The present administration, however, faces domestic political problems and unless it can inspire confidence in the people that the U.S. is prepared to help the Philippines put its defenses on its feet it will be in serious difficulty. He said until the Philippines can straighten out their financial difficulties, therefore, it is necessary for the U.S. to assist. Mr. Robertson commented that he thought the speed-up outlined by Mr. Irwin should be of assistance to the administration in meeting this problem. In reply to Secretary Serrano's question as to the amount of equipment involved Mr. Irwin said he did not have details at hand but it should not be overlooked that 20 F-86F's is a great deal of air power. Secretary

Serrano commented that the four patrol boats were actually only replacements. Mr. Irwin said he was not clear on that point but even if they were only replacements they would still represent a considerable gain in strength since they were new and had new equipment. Mr. Irwin said that the program had included a destroyer but he did not know whether such a ship was still available. He pointed out that inclusion of a destroyer in the program would increase the cost both to the U.S. and to the Philippines considerably. Secretary Serrano said that if the U.S. would be prepared to consider the inclusion of a destroyer, which would be of considerable morale benefit to the Navy, then the Philippine Government could at least on its own decide whether it wished to undertake the additional cost involved. Mr. Irwin said that he would inquire concerning this although he was not optimistic since we were trying to make available other items which would seem to have higher priority.

The Secretary commented that generally speaking, although no respectable nation wished to be entirely dependent on another, we must learn to rely upon each other and not try to maintain national military establishments of the magnitude necessary to meet all emergencies alone.

Secretary Serrano said he was leaving the U.S. tomorrow direct for the Philippines. The Secretary asked to be remembered to President Garcia. Secretary Serrano said the President had a very high esteem for the Secretary and for that reason he had asked Serrano to undertake personally the mission of discussing with the Secretary the Philippine desire for acceleration of its military program.

Ambassador Romulo asked what should be said to the press who would be waiting to see Secretary Serrano upon his departure. It was agreed that a statement would be prepared for the press. The attached statement was then prepared and later read by Mr. Lincoln White to the press.⁴

⁴ Attached but not printed.

427. Despatch From the Embassy in the Philippines to the Department of State¹

No. 297

Manila, October 22, 1958.

SUBJECT

Proposed Reimposition of Foreign Exchange Tax

On July 16, 1958, Ambassador Romulo submitted an Aide-Mémoire to the Department, requesting that the United States Government agree to the reimposition of the tax on the sale of foreign exchange. The Department replied with an Aide-Mémoire, dated July 25, 1958,² stating that action on the part of the United States Congress would be required in the form of an amendment to the Philippine Trade Agreement Revision Act of 1955 before the U.S. Government could agree to the reimposition of such a tax. The Aide-Mémoire also states: "It is by no means certain that even if every effort were made that Congress would approve an amendment which would permit the reimposition of a tax on exchange."

The Department's Aide-Mémoire of July 25 and the representations made to Ambassador Romulo and other Philippine representatives, as reported in a memorandum of conversation dated July 16, 1958,³ to the effect that "Congressional approval would be difficult to obtain", does not seem to have convinced Philippine authorities of the difficulties in securing Congressional approval to the reimposition of a foreign exchange tax. Governor Cuaderno is actively proposing that a foreign exchange tax of 25 percent be adopted, and such action has received wide publicity in the press during the past few days.

It may not be premature, therefore, to consider what course of action the U.S. Government should take with respect to this threatened reimposition of the foreign exchange tax. Interested Washington agencies will recall that the imposition of the original 17 percent exchange tax required the approval of the President of the United States, under Article V of the original Trade Agreement. This approval was required when the tax was first instituted, and periodically on each of several occasions that it expired and the Philippine Congress extended it. Interested Washington agencies will also recall that the Philippine Congress passed the required legislation for continuing this tax on several occasions without first securing the concurrence of the President of the United States as required under the Trade Agreement,

¹ Source: Department of State, Central Files, 896.131/10-2258. Confidential. Approved by Ambassador Bohlen and Charles L. Hodge, Counselor of the Embassy for Economic Affairs.

² Neither aide-mémoire has been found in Department of State files.

³ Not found in Department of State files.

and that on several occasions it was necessary for the U.S. Government to remind the Philippine Government, by means of a diplomatic note, that the Philippine Government should request the approval of the President before actually putting the tax into effect. If this experience is any guide, we may well expect that the Philippine Congress, if it considers an exchange tax desirable, will proceed to pass the necessary legislation long before consultations with the U.S. Government take place.

Since the farther along the Philippine Government might be in taking the necessary steps to reimpose a foreign exchange tax, the more difficult it will be to get them to reverse themselves and, probably, the more convincing would allegations be that the U.S. is still attempting to limit Philippine sovereignty, it may be well to consider ahead of time at what point the U.S. Government would want to make its intentions known once again to Philippine authorities.

1. Despite the lack of impression which the Department's Aide-Mémoire and representations have made, we can let these actions stand as official announcements of U.S. policy in this matter and probably leave the impression with the Philippines that, even though Congressional approval may be difficult to secure, in the event, it probably would be forthcoming.

2. If it appears that action on a foreign exchange tax, such as the submission of a bill to the Philippine Congress, is imminent, we might discuss the matter informally with the Department of Foreign Affairs and the Philippine Congressional leaders sponsoring any such legislation to reiterate the attitude expressed in the Department's Aide-Mémoire and point out that the U.S. Congress may not approve of the reimposition of the tax.

3. It might also be advisable to go one step farther and, if action on the reimposition of a tax appears imminent, the matter might be discussed with our own Congressional leaders (presumably after the November elections) in order to be in a position to give the Philippine Government a more definite indication of U.S. Congressional sentiment on this subject.

In any event, if it will continue to be U.S. policy to oppose the reimposition of an exchange tax, it will be advisable to make this unmistakably clear to the Philippine authorities in both the executive and the legislative branches at the earliest practicable moment, since, as experience has aptly shown, it is very difficult to convince Philippine officials of anything which they do not want to believe, and still harder to get them to reverse course once they have initiated action.

For the Ambassador:
Michael F. Cross
Treasury Attaché

428. Telegram From the Embassy in the Philippines to the Department of State¹

Manila, November 12, 1958—6 p.m.

1548. MILBA. At 1000 hours today accompanied by Newman I met with Serrano and Arreglado for the first session of the exploratory talks. Our meeting lasted about an hour and a half and was marked by an amiable and informal atmosphere.

In opening the session Serrano stated that the list prepared by Arreglado and Newman (Emb desp 345)² appeared satisfactory. I then indicated that we wished to suggest a slightly revised list of subjects and propose an order for their consideration. Revised list follows in separate cable.³ Serrano readily agreed to the changes, after I explained the reasons, and to the proposed order. He indicated that we should consider the list basically as a guide for our future discussions and not as an unalterable document. I concurred, pointing out that we do not consider the list all-inclusive and that any subjects related [to] bases matters on which either side had views could be added to the list at any time. On the item of military aid I explained that any discussion of program details was more properly a subject for JUSMAG–AFP consideration but, as Serrano had described, we could consider military aid, not in terms of program substance but as a factor in relation to bases problems. The final procedural point we discussed and agreed upon was that no press announcements would be made on the nature of the discussions except as had been jointly agreed to by both sides and that any such announcements would be issued by the FonOff. In closing the procedural talks Serrano emphasized that any understandings or agreements reached during the discussion would be considered only as being the recommendations of the participants to their govts and not binding until acted upon.

Before proceeding to substantive discussion of the subjects I expressed the view that a basic assumption in these discussions, and one in which I hoped he concurred, was that both govts recognized that the bases were necessary to their mutual defense and to carry out their joint obligations under SEATO. Serrano in replying stated that as he viewed this matter there were three considerations involved: 1) that

¹ Source: Department of State, Central Files, 711.56396/11–1258. Secret; Priority. Repeated to CINCPAC for POLAD, CINCPACFLT, CINCPACAF, CINCUSARPAC, CINCPACREPPHIL, COMNAVPHIL, and 13th AF.

² Despatch 345 from Manila, November 10, contained a list of subjects for exploratory talks on base matters. (*Ibid.*, 711.56396/11–1058)

³ Telegram 1552 from Manila, November 12. (*Ibid.*, 711.56396/11–1258) The list of subjects for discussion agreed upon by Bohlen and Serrano included the following main subjects: I. Jurisdiction; II. Base Operating Problems; III. Bases Lands; and IV. Military Consultation and Cooperation.

the bases are intended fundamentally for the mutual defense of the US and the Phils; 2) that the bases, in conformance with both nations' democratic and constitutional principles, could not be used for aggressive purposes but would be used purely for defensive purposes; and 3) that the US would not use the bases in pursuit of its own national policy or in conformity with agreements with third nations to which the Phils was not a party without the consent of the Phil Govt. In the ensuing discussions Serrano clearly indicated that he had in mind with respect to the third point the use of bases in carrying out US national policies with respect to nations with whom the Phils had no security arrangements. We agreed that it was not necessary to consider this point at this time since it would be the subject of later discussion under the agreed listing of subjects. Otherwise Serrano indicated his agreement on the points I advanced that bases are for the mutual defense of the Phils and the US and to enable both nations to carry out their joint obligations under SEATO.

At the conclusion of our exchange on assumptions Serrano stated that he hoped that at the end of our talks it would be possible to issue a statement similar to the one issued by the White House (*sic*)⁴ concerning the establishment of missile bases in the Phils. He explained that this was purely for psychological purposes and would provide a favorable atmosphere for the final adoption of any agreements which we may reach. I indicated that I thought there would be no difficulty in a restatement of US policy to this effect. (We did not go any further into this subject and I intend to have clarified what Serrano had in mind. I do not intend to make formal commitments of any nature in connection with these talks.)

Serrano then suggested that we might move to the substantive questions. I noted that since Serrano had indicated a desire to explore the jurisdiction question first we could start with that subject, and asked if he wished to express his views on that matter. Serrano began by stating that there were two methods of approach to the question of jurisdiction: 1) to consider modifications of the existing article in the MBA; or 2) to explore and develop a formula which would be a substitute for the existing article. He went on to say that as a result of his discussions with Pres Garcia it was the preference of his govt to develop modifications of the existing article rather than attempting to start afresh. I pointed out to Serrano that the program as I saw it was to reach agreement first on the substance of a jurisdiction provision and then to determine whether the substance could be better effected by modification of Article XIII or by substitution as [*of*] a completely

⁴ As on the source text. It was not the White House but Bohlen who in a speech at Cebu stated: "the U.S. has no intention at the present time to establish missile sites in the Philippines." (Despatch 65 from Manila, July 23; *ibid.*, 711.56396/7-2358)

new article for the existing one. Serrano concurred and then went on to describe his understanding of the degree of substantive agreement on jurisdiction that had been reached in the 1956 negotiations. During his recapitulation of the 1956 area of agreement he pointed out that both sides had agreed to maintain the status quo for off-base offenses and that modification of the existing MBA was recommended only with respect to the provisions for on-base offenses.

I agreed that what he described was the situation in 1956 but that we had experienced developments since that time which would justify reexamining the entire problem. I then went on to make a comparison between the jurisdictional arrangements as they exist here under the MBA and as they exist in the NATO countries and Japan pointing out that it is only in the Phils that any aspect of determination of duty is solely in the hands of the host govt. I remarked that I felt that one approach which would be fruitful would be to eliminate the geographic factor of "on base-off base" which characterizes the existing MBA jurisdiction provision and concentrate in its stead on the question of "official duty". The Secretary reiterated that his govt felt it would be better to concentrate on modifications of the existing article rather than to start afresh. If we used the NATO approach it would mean virtual substitution for the existing article. There was a rather lengthy discussion centering on the question of duty determination in the course of which I explained that I considered this to be a critical area in our discussions. I stressed the reasons why we considered it necessary for the US military authorities to make the determination as to duty status pointing out that logically the determination of duty should be consistent both on-base and off-base. In my arguments I also highlighted the feelings and attitude of the US Congress and American public which have been expressed on this question. In response to my query as to whether the Phils would accept a change in the present off-base duty determination, Serrano stated that any such change would be "virtually impossible". He explained that for domestic political reasons and the strong feelings of nationalism a change of this type would be interpreted as a backward step which would not be conducive to the kind of relationships between the Phils and US which he wished to see exist. He went on to use the "special relationship" argument (I interrupted him to point out that the "special relationship" worked both ways) and to express his feelings that any change which would reduce the present scope of Phil jurisdiction would lead to a "tide of unreasonable nationalism" which he felt must be avoided. He on several occasions stressed the political problems involved with respect to changing the present off-base duty determination provision of the MBA. In general Serrano did not attempt to refute my arguments on

consistency or that the commanding officer in best position determine duty status but used argument of political impossibility accept concepts involved.

Serrano during the discussion explained that he considered that his suggestion, which is essentially the Phil panel proposal of 1956, was a better arrangement than we had in Japan where the final determination is in the hands of the Japanese court in spite of the Joint Committee. He stressed that in case of off-base determinations the final decision rests with a responsible Cabinet officer rather than a lower court; on base, if the senior US military commander and the Phil Secretary of Justice did not agree, the certificate of the commanding officer would prevail. Serrano considered that his proposal virtually maintained the status quo where the Phils have duty determination off-base and the US has duty determination on-base. During the discussion it was suggested that it might be possible to develop guidance or criteria as to what constituted official duty which would be used by the base commander or the Secretary of Justice in making their determinations. We explained the difficulties involved and recited some of the negotiating history in NATO dealing with this point which had been unable to arrive at any clear definitions and had left it to the appropriate military authorities. After further inconclusive discussion on the duty determination question it was agreed that we would look into the feasibility of developing such guides.

Before concluding our session we reviewed and agreed upon a proposed press release on our first meeting to be issued by the FonOff. Text being transmitted by separate message.⁵

Bohlen

⁵ Transmitted in telegram 1553 from Manila, November 12. (*Ibid.*, 711.56396/11-1258)

429. Telegram From the Embassy in the Philippines to the Department of State¹

Manila, November 22, 1958—10 p.m.

1652. MILBA. Reference: Embtel 1648.² While we never believed that Phils would observe security as we understand it in regard to my talks with Serrano, the breach of our clear understanding on this point by the Dept of Foreign Affairs is so flagrant that it cannot be ignored. Leading Manila newspapers this morning carry a full but heavily slanted account of yesterday's discussion. Since no one familiar with matter in Emb has seen or spoken to a reporter and from tendentious nature of accounts it was obviously result of FonOff briefing of press. This of course is reminiscent of Phil tactics during Bendetsen talks which by general admission including Serrano was a major factor in deadlock. We are convinced that unless steps are taken now to put a halt to this type of publicity entire purpose of my talks with Serrano will be lost. Only question is what should we do at this end. I am convinced that only firm position on US part which would really impress Phils would have any such effect. Merely to protest breach of our understanding on the confidential nature of the talks would I believe have little value. One possibility would be for me to issue press statement referring to our agreement and correcting misstatements of US position which appeared in most of today's press accounts. This however would merely compound the felony and transfer the talks into a publicity match with virtual elimination of any prospect of success. I would therefore not recommend this course of action except as last resort. A preferable method and one that might give Serrano pause (since his personal prestige is heavily engaged in these talks) would be for me to call on him early next week and tell him that not only is such publicity from his Dept contrary to our clear understanding but is so destructive of the whole purpose of these talks, that if continued, the US Govt will have to consider whether it is worthwhile going on with them in Manila or whether it will not be necessary to transfer them to Wash. This I believe would seriously worry Serrano and might induce him to respect our agreement on secrecy which in

¹ Source: Department of State, Central Files, 711.56396/11-2258. Secret; Niact. Repeated to CINCPAC for POLAD, CINCPACFLT, CINCPACAF, CINCUSARPAC, CINCPACREPPHIL, COMNAVPHIL, and 13th AF.

² Telegram 1648 from Manila, November 21, reported ongoing negotiations on the jurisdiction issue. (*ibid.*, 711.56396/11-2158)

view of small number of persons (two from Phil side) is quite within his power to do. I might add that I will have to take up whole matter with Pres Garcia if there is any repetition.

Such an approach to Serrano would only be effective if I were authorized to speak in name of my govt.

Since I feel very strongly that we must deal with this problem before we resume the talks next week I request Dept to examine this recommendation as a matter of urgency and give me instructions by Monday (Manila time) if possible since delay would weaken effect.³

Bohlen

³ This authorization was given in joint State-Defense telegram 1441 to Manila, November 22. (*Ibid.*, 711.56396/11-2258) Bohlen saw Serrano alone on November 25 to discuss the problem of news leakage. Serrano admitted, apologetically, that Arreglado had held a press briefing; he promised to use the full force of his office to prevent leakage in the future. (Telegram 1669 from Manila, November 25; *ibid.*, 711.56396/11-2558)

430. Editorial Note

During November-December 1958, despite Ambassador Bohlen's protests, leaks to the Philippine press went on unabated. Moreover, during the negotiations on the question of duty determination for off-base offenses, the Philippine side would not give up the position that Philippine courts should be the ultimate arbiter in cases of dispute, whereas the U.S. Government maintained that duty determination by the offender's commanding officer should be controlling. The Ambassador, however, found this posture too rigid and asked for consultation in Washington when negotiations deadlocked by December 1958.

Serrano also raised the issue of prior consultation with the Philippine Government for the use of U.S. military bases in the Philippines in the event of hostilities which were not covered by bilateral agreements or by SEATO, but he appeared to be deliberately avoiding the issue of nuclear weapons.

Documentation on these developments in the base negotiations is in Department of State, Central File 711.56396.

431. Letter From the Ambassador in the Philippines (Bohlen) to the Under Secretary of State (Herter)¹

Manila, December 25, 1958.

DEAR CHRIS: Although as you will see this is not exactly a Christmas letter, I do want to start by sending you and Mac² very best wishes for Xmas and the New Year from Avis³ and me.

I am writing you from Baguio, where we are spending Xmas, and there are no stenographers. I only hope you can make out my handwriting.

I just received word from the Embassy in Manila that the Department has turned down my suggestion that I come back briefly for consultation on the bases negotiations.⁴ It is about these negotiations that I am writing and bothering you, especially since I will not have an opportunity to come home in order to go into the question thoroughly.

I am extremely concerned over this question, and particularly at the nature of the instructions I have been receiving and the complete rejection of *all* serious recommendations from me, backed, I might add, by the senior U.S. Military here and CINCPAC from Honolulu. What especially bothers me is that State and Defense seem to be making their decisions on a wrong and factually inaccurate estimate of the Philippine attitude and the general situation here. If we stick by our present position, these talks will collapse with far more adverse consequences to the United States than in 1956.

I can't believe the final decision, judging from my instructions, has been made by anyone in State who has the foreign policy aspect clearly in mind. This is why I am writing you in a personal fashion.

You know, I am sure, that I took this job with some reluctance but was persuaded to do so largely because the importance of this base issue was stressed and the need for an Ambassador of long experience, etc., etc., to handle it. While obviously no commitment was made, the clear implication was that I would be given considerable leeway to exercise my own judgment. This has not only not been the case but I have been tightly controlled by the narrow and, I might add, the least convincing instructions it is possible to imagine.

¹ Source: Eisenhower Library, Herter Papers, Personnel A–B Phil. Personal. The source text is a typed copy filed with Bohlen's handwritten original; there are minor stylistic variations between the two.

² Herter's wife Merry Carillon Pratt.

³ Bohlen's wife Avis Howard Thayer.

⁴ Reference is to telegram 1683 to Manila, December 23, which instructed Bohlen to remain in the Philippines lest his return for consultation produce the same effect as Bendetsen's visit to Washington in 1956, which led to the suspension of the base negotiations. (Department of State, Central Files, 711.56396/12–1958) See also footnote 5, Document 396.

What all this adds up to, and why it is to you I am writing, is that I may find myself very soon forced to consider whether I should carry out instructions with which I profoundly disagree and which I know will be detrimental to U.S. interests here, or resign as U.S. Ambassador to the Philippines. I am not using this as a threat but a simple statement of fact.

I know how busy you are, but I wonder if you could look into this bases matter here, and particularly my recommendations, and write me a letter⁵ telling me what lies behind our position, which I can only describe as extraordinary.

Please excuse the trouble I am adding to all your other problems, but I am sure you know I would not do it unless it was really important.

With best wishes and thanks,
Very sincerely,

Chip Bohlen⁶

⁵ No reply from Herter has been found; however, telegram 1773 to Manila, January 9, 1959, indicates that by then Bohlen had received authorization to return to Washington for consultation. (Department of State, Central Files, 711.56396/1-959)

⁶ Printed from a copy that bears this typed signature.

432. Telegram From the Department of State to the Embassy in the Philippines¹

Washington, January 8, 1959—8:26 p.m.

1763. Joint State–Defense message. Refs: (a) Embtel 1749, 1692, 1680. (b) Deptel 1341.²

FYI. Approval obtained in accordance NSC action 1550³ to inform Philippine Government main elements proposed FY 1960 military assistance program (MAP) as follows:

¹ Source: Department of State, Central Files, 796.5–MSP/12–358. Secret. Drafted by Charles R. Tanguy of SPA; approved by Parsons; and cleared with SPA, FE, W/MS, ICA, and OSD/ISA. Repeated to CINCPAC for POLAD, CINCPACFLT, CINCPACAF, CINCUSARPAC, CINCPACREPPHIL, COMNAVPHIL, and 13th AF.

² Telegram 1341 to Manila, November 12, 1958; telegram 1680 from Manila, November 26, 1958; telegrams 1692 and 1749 from Manila, November 27 and December 3, 1958, respectively, all discuss U.S. military assistance to the Philippines for fiscal year 1960 and adverse reaction to it in the Philippine press. All are *ibid.*, 796.5–MSP.

³ NSC Action No. 1550, “Policy Regarding Future Commitments for Foreign Assistance,” was taken during the 283d NSC meeting, May 3, 1956. (*Ibid.*, S/S–NSC (Miscellaneous) Files: Lot 66 D 95)

a. Six 155 mm. howitzers and seven M-41 tanks for first regular infantry division.

b. Ordnance and electronic equipment for one destroyer escort (contingent upon Philippines acquiring one DE through Japanese reparations).

c. Third squadron of F-86F aircraft.

d. Sidewinders and rocket dyne engines for improving combat capability of Philippine jet aircraft.

e. Dollar costs to the extent of approximately \$1.5 million in connection with construction of:

- 1) A training center at Laur, Nueva Ecija Province, Luzon.
- 2) The Basa airfield, Pampanga Province, Luzon.
- 3) Aircraft control and warning sites.

Final program approval of course will be contingent on Congressional action on global MAP for FY 1960 which Executive Branch will submit early in 1959 Session. At time we inform Philippine Government of program we will also wish to place strong emphasis on fact that program items will only be delivered commensurate with Philippine ability absorb and utilize them.

Before authorizing you inform Philippines main elements proposed FY 1960 MAP we would like your comments on how gain maximum impact from this step and improve our position vis-à-vis key Philippine officials. We see three possibilities: 1) Give information to Serrano in context his talks last October with Secretary,³ and his continuing interest this subject; this would bolster Serrano's stock and possibly mellow his attitude in bases negotiations by allowing him take full credit for obtaining advance commitment from US on FY 1960 MAP; 2) give information Serrano without connecting it his talks last October; state in connection with his recent testimony before Philippine Senate Committee on national defense that while US considers Military Assistance Agreement has served useful purpose and desires continue it, we would of course entertain request terminate it if Philippines felt it no longer served their interests; this would serve create impression this routine step on our part and at same time indicate Serrano we consider his sounding off to Committee not very helpful; 3) give information to Vargas, either informally or via letter, instead of to Serrano; this might bolster Vargas' position.

Would appreciate your comments before we authorize you inform Phil Govt.⁴ End FYI.

Dulles

³ See Document 426.

⁴ In telegram 2131 from Manila, January 16, Bohlen replied that the Country Team had concluded that the first course of action was preferable. (Department of State, Central Files, 796.5-MSP/1-1659)

433. **Memorandum on the Substance of Discussion at the Department of State-Joint Chiefs of Staff Meeting, Washington, February 4, 1959, 11 a.m.**¹

[Here follows a list of 27 persons present, including General Maxwell D. Taylor, Chief of Staff, U.S. Army; General Thomas D. White, Chief of Staff, U.S. Air Force; Robert Murphy; Ambassador Charles E. Bohlen; Walter S. Robertson; and Gerard C. Smith.]

1. *The Philippines*

The meeting was called at the request of the Joint Chiefs to discuss certain problems in the Philippines and to take advantage of the presence of Ambassador Bohlen.²

Ambassador Bohlen started the meeting by describing Foreign Secretary Serrano's assumptions on the question of *consultation with the Philippine Government on use of U.S. military bases*. Serrano had indicated to him privately (and had apparently also discussed the matter with a Philippine Congressional committee) that he assumed our bases would not be used without consultation with the GOP in situations where the U.S. was fulfilling its own unilateral obligations (this would not apply in situations where there was a joint US-Philippine obligation as, for example, under the SEATO Treaty or the bilateral agreement). Mr. Bohlen felt that the word "use" did not refer to logistic support of U.S. military actions in other areas, but rather to active military use of the bases—specifically, to strikes mounted from Clark Field or combatant use of Subic Bay. He said that he would have to discuss the matter in the near future with the Philippine Government and wished U.S. governmental agreement on instructions which he could take back. He added that he felt the Philippine Government has a solid argument which cannot be minimized or ignored. He inquired and got agreement from the JCS that our present plans do not presuppose prior consultation with the Philippines.

There followed general discussion of the question of consultation involving use of U.S. bases in other countries. Mr. Murphy cited the UK as the prime example where prior consultation is agreed, as well as with France. He pointed out that the Japanese are demanding and will undoubtedly get a comparable arrangement. In Morocco he felt sure that such agreement will be a *sine qua non* in any base negotiations.

¹ Source: Department of State, State-JCS Meetings: Lot 61 D 417. Top Secret. A note on the title page reads: "State draft. Not cleared with Department of Defense."

² Ambassador Bohlen was in Washington for consultation from the end of January to February 25.

General White stated that the Air Force in dire emergencies would be required to utilize U.S. bases whether or not there was consultation. There was general concurrence that this as a practical matter was the case for general war, but Mr. Bohlen pointed out that this was not the issue in the Philippines. [5 lines of source text not declassified]

Admiral Dennison³ wondered if consultation could be carried out through the Mutual Defense Board. Mr. Bohlen pointed out that the Mutual Defense Treaty has no reference to the subject of consultation and he did not believe the Treaty should be amended to add this feature. Mr. Bohlen did feel, however, that a solution involving consultation within the Board might be worth exploring. There was a necessity, he thought, for a confidential exchange in writing with the Philippine Government, perhaps an exchange of notes to the effect that we would consult the GOP in the event of a proposed active use of the bases in the Philippines in those cases where the U.S. was fulfilling obligations to which the Philippine Government was not a party. There ensued a discussion about arrangements which might be worked out to effect consultation in the course of which Mr. Bohlen commented that the Philippine military could not be counted on as in the past to support solidly a position the U.S. might take. Mr. Smith proposed that the U.S. agreement to commit itself to consultation might be handled verbally by Ambassador Bohlen in his talks with Serrano, but the Ambassador felt that this oral commitment would not be adequate in view of the separation of powers concept of the Philippine Government system, which would require Congressional, in addition to Executive, approval.

The Ambassador then referred to the current sensitivities of the Filipinos on matters involving the U.S. One aspect of this is manifested in their concern that a former enemy (Japan) might get better treatment from the U.S. than the GOP. Mr. Robertson reiterated in this connection that there was not the slightest chance of getting a revised security treaty with Japan without agreement on consultation. He added that he expected the agreement also to be confined in area to the islands of Japan.

[1 paragraph (8 lines of source text) not declassified]

The next subject was that of *criminal jurisdiction*. The Ambassador indicated that numerous meetings on this subject had produced no results. He had been operating under rigid instructions and was not aware of the NSC decision⁴ on which his instructions were based until

³ Vice Admiral Robert L. Dennison, member of the Joint Strategic Plans Committee of the Joint Chiefs of Staff.

⁴ In studying the Nash Report on U.S. overseas bases, the National Security Council commented that the "objective of the United States should be to obtain criminal jurisdiction arrangements with all countries in which US forces are stationed now or in the future, at least as favorable as those contained in the NATO Status of Forces Agree-

his return to the U.S. for consultation. He felt that the present unique agreement with the GOP (entered into in 1947) probably accomplished as much as the NATO Status of Forces Agreement and that the new arrangements proposed by the GOP would also substantially meet the NATO SOF criteria. He referred again to the sensitivity of the Philippine people towards their former colonial status and indicated how this attitude worked against the prolongation of those portions of the early agreements which reflected the former U.S. sovereign position in such matters as extra-territoriality. The Filipino position now is that they must have jurisdiction on U.S. base areas for off-duty offenses, although they would give sympathetic consideration to a U.S. request for a Philippine waiver in order for the U.S. to exercise jurisdiction, perhaps even along the lines of the NATO-Netherlands formula.⁵ He said that the GOP already exercises jurisdiction for off-base offenses subject to the final decision of the Secretary of Justice. He indicated that an off-base offense involving duty status was rare since almost all U.S. official vehicles were now driven by Filipino nationals, and traffic cases represent the only significant category of off-base offenses. He felt that the question of off-base offenses was an extremely minor one and concessions in this regard could produce a better formula for determination of duty status on base.

The Ambassador felt that Defense's worry about establishing a precedent for other countries was not valid because the long history of US-Philippine relations would be recognized as a special case, and the many other agreements entered into between the two governments have no counterpart in our relations with other powers. Mr. Knight⁶ expressed worry about the precedent, stating that each country wants most favorable treatment on all base right provisions and would use the Philippine agreement as an example. The Ambassador felt that a much worse example would be a deadlock with the GOP on this issue. He did not think we needed to replace the agreement but could handle the new provisions through an attached protocol. He felt we had reached a stage in our Philippine relations where political judgment must be exercised in this matter as being the overriding factor. Mr. Murphy added that he felt the question of criminal jurisdiction was relatively quiescent as compared to a few years ago, despite the current problems in Formosa and Morocco. We must expect change to conform to changing political circumstances. He indicated in response to Mr. Knight's comment that Congressional interest in the matter seemed to have abated and the Department did not feel that there was

ment." The President approved this view March 28, 1958. (Memorandum for the Secretary, March 18, 1958, and memorandum from Howard F. Furnas to Fisher Howe, May 21, 1958; both in Department of State, S/S Files: Lot 66 D 95)

⁵ See footnote 3, Document 397.

⁶ Robert Knight, Office of International Security Affairs, Department of Defense.

any serious reason for concern over adverse Congressional reaction or restrictive legislation during the current session. Mr. Bohlen added that that same reaction was apparent in his talks with Senators Fulbright and Hickenlooper.⁷ He repeated that in his view a deadlock on the issue of criminal jurisdiction would freeze all other aspects of our negotiations with the Philippines. This was the issue with the greatest emotional effect, and Serrano had indicated that we could not move ahead in any other negotiations until it was settled.

The discussion concluded with a request from Ambassador Bohlen that Defense reconsider his current instructions on an urgent basis. He felt if he could negotiate quickly he could get a reasonable solution on the question of criminal jurisdiction. If there is further delay, the Philippine position might shift and increase the difficulty of securing a solution which the U.S. Government could accept.

[Here follows discussion of unrelated subjects.]

⁷ J. William Fulbright, Senator from Arkansas; Bourke B. Hickenlooper, Senator from Iowa. Both were on the Senate Foreign Relations Committee.

434. Telegram From the Embassy in the Philippines to the Department of State¹

Manila, February 18, 1959—11 a.m.

2530. During course of conversation yesterday with Serrano on another subject I referred to his mention of "attitude" of U.S. during recent Quemoy–Matsu crisis in speech Feb 6 at University of Manila (Embtel 2389)² and asked if he could explain what he had meant by the word. This opened up half-hour discourse on subject of consultation and use of bases. Serrano said that as Quemoy–Matsu crisis developed it became apparent from U.S. statements and actions that decision had been made to defend Quemoy and Matsu in spite of opinion of many of our allies (which he shared) that military value of these islands did not justify risk of world war. If any serious trouble had started Phils would inevitably have been involved particularly since our bases were being used for supply and deployment. His govt thus felt that they should have been kept informed and consulted during this crisis and in any future ones. Serrano referred to an urgent tele-

¹ Source: Department of State, Central Files, 711.56396/2–1859. Secret. Repeated to CINCPAC for POLAD.

² Not printed. (*Ibid.*, 611.96/2–759)

phone call from Amb Romulo late in Aug 1958 warning him that certain decisions had been taken in Washington which might cause war with ChiComs to start in 48 hours. While through Amb Bohlen it was learned that this info was not correct³ Serrano felt that both Amb Romulo and himself should have been kept informed of our intentions and plans so that such a rumor could not have gained credence. Serrano referred again and again to tremendous danger faced by Phil nation in case of outbreak of war and consequent responsibilities of Phil administration toward its people.

As another example of lack of consultation he referred to Indo developments where Phil authorities had cooperated closely and enthusiastically with U.S. and then had at certain stage realized that there had been change of U.S. policy of which they had not been forewarned. Repercussions of this were still plaguing their relations with Indonesia.

Comment: Serrano's lengthy discussion further indication that Phils consider consultation and use of bases issue a key one in bases talks and that their position may have hardened since this was touched on in previous Bohlen-Serrano talks.

Abbott

³ In telegram 2135 to Manila, February 18, Bohlen commented as follows: "Serrano is not being accurate in regard to Quemoy and Matsu crisis. Not only was I able to obtain answer to his question which he referred to but also had extended discussion with President [Garcia] himself prior to Philippines NSC meeting as well as current information on situation we regularly supplied Foreign Office." (*Ibid.*, 711.56396/2-1859)

435. Memorandum Prepared in the Office of Southwest Pacific Affairs¹

Washington, April 10, 1959.

PHILIPPINES: MILITARY BASE TALKS

At the request of the Philippine Government we began exploratory talks with it in Manila last November 12 to determine whether there was a basis for agreement on revision of the 1947 Military Bases Agreement. We acceded to the Philippine request that Ambassador

¹ Source: Department of State, SPA Files: Lot 67 D 279, 4-A5, Negotiations, Jurisdiction. Secret. Drafted by Brand and Tanguy.

Bohlen and Secretary Serrano should first take up the question of criminal jurisdiction over American service personnel. In preparation for this the Philippines agreed that if an impasse were reached on criminal jurisdiction the negotiators would move to other subjects such as consultation on the war-time use of our bases, land acquisitions and relinquishments, etc. An impasse was in fact reached as long ago as last December but despite his earlier agreement, Serrano has repeatedly stated that it would not be feasible to leave the jurisdiction question until agreement is reached, at least in principle.

Ambassador Bohlen has attempted, in accordance with instructions, to obtain Philippine agreement to jurisdictional arrangements patterned on our arrangements with our NATO allies and Japan. For a number of reasons, however, related to the Philippine political situation and Serrano's own pre-conceived notions, the prospects for reaching an agreement on this basis are virtually nil. The Ambassador has been negotiating, therefore, in accordance with his alternative instructions which are based on a modification of the final position of the 1956 Philippine negotiating panel. This formula would shift the basic criterion for apportioning court jurisdiction from the present basis of the locality of the offense (i.e., whether on-base or off-base), to one based on the duty status of the offender at the time of the offense. However, it would continue the present arrangement under which in off-base offenses the Philippine authorities alone determine whether a man was on duty or not. On base, the determination of duty would be made by the U.S. commanding officer. In either case, we have proposed that in cases of disputed determinations the final decision be taken only by the responsible authorities after intergovernmental consultation through diplomatic channels.

Within this framework the Ambassador has been attempting to close the gap of difference with Serrano on (1) jurisdiction over offenses committed by U.S. military dependents and civilian employees against Philippine nationals; (2) U.S. right to consultations with the Philippine Government prior to final determination of duty status by that government in off-base offenses; (3) definition of official duty (we favor the language in our NATO agreements but Serrano has insisted on keeping the present MBA language, with possibly slight modification); and (4) arrangements regarding waiver of jurisdiction (the Philippine offer has so far been too restrictive; it falls short of what we consider to be our minimum requirements).

The present situation is highly fluid, and the outcome of the talks is uncertain. The prospects for an agreement have been further con-

fused by the introduction in the Philippine Senate of a resolution² calling for arrangements which go far beyond our arrangements with the NATO countries and Japan and are therefore completely unacceptable to us. Ambassador Bohlen's last meeting with Serrano on March 31 was inconclusive; Serrano gave the impression of being uninterested in reaching an agreement at this time. Ambassador Bohlen does not expect that another meeting will be held until sometime after April 20.

² This resolution, supported by many of the most important Philippine senators, called for a revision of the Military Bases Agreement with the United States. The full text was transmitted in telegram 2988 from Manila, March 22. (*Ibid.*, Central Files, 711.56396/3-2259)

**436. Memorandum Prepared in the Bureau of Foreign
Commerce, Department of Commerce¹**

Washington, April 29, 1959.

OPERATION OF THE REVISED UNITED STATES-PHILIPPINE
TRADE AGREEMENT

The deterioration in United States-Philippine relations, which became apparent late last year, continues unabated, with the Revised Trade Agreement of 1955² retaining the spotlight as a major target for Philippine criticism and adverse actions. Certain Philippine Congressmen and businessmen have been increasingly suggesting that the agreement should be again revised, or possibly even abrogated. Reflecting the growing "Filipino-First" movement, they are especially expressing dissatisfaction with the provisions giving Americans national treatment in the natural resource and utility areas (the so-called "parity" fields covered by Article VI) and in carrying on general business activities (Article VII).

With the exception of the tariff provisions of the revised agreement, which represent the chief concessions made by the United States in the negotiation of the revision, the other major portions of

¹ Source: Department of State, SPA Files: Lot 64 D 391, Laurel-Langley Agreement. Confidential. A typed notation indicates that this memorandum was drafted by the Far Eastern Division of the Bureau of Foreign Commerce.

² For text, see 6 UST (pt. 3) 2981. The agreement is known by the names of its two negotiators: José P. Laurel, Sr., Philippine Senator, and James M. Langley, Special Representative of the United States.

the agreement have not been operating satisfactorily. They have, in fact, been subject to either actual violation by the Philippine Government through overt or more subtle actions, or to threatened violation. These acts, moreover, must be viewed against the background of an increasingly nationalistic government policy in which protectionism, limitations on profit remittances, and restrictions on the entry of new foreign investment, are all contributing to an atmosphere which is apparently more anti-foreign and anti-American than has been the case for a number of years, although the traditional good will toward Americans of the mass of Filipinos has in no sense been dissipated. The country's continuing balance of payments and fiscal problems, coupled with the present attitude of Philippine Government officials, indicate that our difficulties under the revised trade agreement are not going to diminish.

There is given below a summary of the principal problems which have arisen under the revised trade agreement since it went into effect on January 1, 1956.

A. Art. I, Par. 7: Special Import Tax and Exchange Tax

Special Import Tax

Under the revised agreement, the Philippines agreed to replace its 17-percent tax on all sales of foreign exchange with a special import tax applicable only to commodity imports. The import tax, to begin at a rate no higher than 17 percent for 1956, was to be thereafter reduced by 10 percent of the initial rate annually until completely eliminated on January 1, 1966. An escape clause, however, provides that if in any year revenue from both the tax and duties on U.S. goods falls below the 1955 revenue from the exchange tax on U.S. imports, the Philippines need not reduce the tax rate for the next year and, if necessary to restore revenue to the 1955 level, can raise the tax to any previous rate set forth in the schedule contained in Paragraph 7 of Article I, the highest of which is shown as 90 percent of the initial rate (which would be 15.3 percent).

Faced with a shortfall in 1958 revenue, Philippine Customs increased the tax for 1959 back to the initial rate of 17 percent. The U.S. Government had virtually no advance warning, our Embassy having only learned about the Philippine intention in the final week of 1958 when Embassy officials queried the Customs Commissioner regarding the tax for 1959.

Aside from the technical consideration that the U.S. doubts such an increase is necessary to restore the revenue level (since in 1959 the duty rates on U.S. imports have been raised from 25 percent to 50 percent of regular duties in accordance with the trade agreement), there is the legal violation resulting from the tax being raised above

the highest rate provided for in the schedule. The Philippine Government's justification is that in its implementing legislation (Republic Act No. 1394), the schedule starts at 17 percent, but the U.S. holds that in case of such conflict the trade agreement must govern. The matter has been discussed by our Ambassador with President Garcia and other high Philippine officials, and the U.S. position was set forth in a memorandum sent to the Secretary of Foreign Affairs under cover of a note from Ambassador Bohlen on January 2.³

Although the Philippine action originally was presumably taken on the basis of the domestic legislation and the need for additional revenue, in a later conversation with Ambassador Bohlen, President Garcia revealed that he intended to hold to his position on the special import tax as a bargaining lever to obtain U.S. permission to impose a foreign exchange tax. The Ambassador pointed out that the two were entirely separate matters which must each be decided on its own merits, and any attempt to bargain as between them would have unfortunate effects in Washington. The President nevertheless said the tax would continue to be collected at the 17-percent rate until the exchange tax was resolved to the Philippines' satisfaction. Consequently, the tax is being collected at 17 percent, but the President has delayed announcing the new rate in an official proclamation, as required by the Philippine law.

Foreign Exchange Tax

In his budget message to the Philippine Congress in February, President Garcia recommended a 25-percent tax on sales of foreign exchange, as an anti-inflationary device to both restrain demand for imports and raise revenue for the Government. This tax represents the key feature of the "stabilization" program of Central Bank Governor Cuaderno who, like the President, is opposed to devaluation of the peso at this time.

In the revision of the trade agreement, the abolition of the 17-percent exchange tax (in order to free invisibles such as profit remittances from this additional burden) was one of the principal selling points used by the U.S. Executive in obtaining support for the revision from American businessmen and the U.S. Congress (another being a more specific spelling out of the national treatment guarantee). A side exchange of notes at the time the revised agreement was signed made it clear that an exchange tax was not to be reimposed during the life of the agreement.

³ The note was transmitted in despatch 462 from Manila, January 7. (Department of State, Central Files, 496.116/1-759)

Ambassador Bohlen has on several occasions informed the Philippine President that reimposition of an exchange tax would be a major violation of the trade agreement. Nevertheless, President Garcia has persisted in telling Philippine Congressional leaders the contrary, in an effort to push through the Congress the pending exchange tax bill. The adamant position of the Philippine Administration is reflected in the reception given the special IMF mission which went to Manila in March to discuss a Philippine stabilization program. Because the mission was not prepared to immediately accept the Garcia–Cuaderno program, including the exchange tax, it apparently left the country without being able to substantively discuss possible alternative measures.

On April 23, arising out of a suggestion made to President Garcia by Ambassador Bohlen, Ambassador Romulo called on Under Secretary of State Dillon to “seek the aid and advice of the United States” on the exchange tax. He presented an aide-mémoire⁴ which outlined the Philippine intention to impose a 25-percent “premium” on sales of foreign exchange and stated the view that this would not violate the revised trade agreement. The result of the meeting was that Ambassador Romulo agreed to a proposal made by Mr. Dillon and said he will ask that a Philippine expert—possibly Budget Director Aytona—be sent to Washington to lead discussions with U.S. officials, in an effort to seek the objectives which President Garcia has in mind with respect to the exchange tax, but in a manner which would avoid the legal obstacles posed by the tax as now formulated. Mr. Dillon pointed out, however, that should such consultations be held, the U.S. would wish to mention other problems related to the trade agreement.

B. Art. III, Par. 3: Prior Consultation Regarding Trade Restrictions

Article III is not a strong provision, but it affords the only formal protection we have against Philippine trade restrictions, in the form of a commitment of non-discrimination and an obligation for prior consultation. During the three years of the revised agreement’s operation the United States has, in its view, demonstrated discretion and moderation regarding prior consultation (Par. 3). While the Philippine Central Bank has taken numerous restrictive actions where, under the agreement, the Philippine Government might have appropriately consulted with the United States, in no instance did the Philippines discuss the restrictions prior to their institution. The United States has made representations in only three cases of major significance—two concerning import restrictions (CKD parts for assembly of U.S. cars and U.S. movies) and one concerning export restrictions (sea shells for button manufacture). All of these involved the absence of prior consul-

⁴ Not printed. (*Ibid.*, 896.131/4–2359)

tation, and one (cars) also involved what the affected American industry considered to be discrimination, although in light of the wording in the trade agreement (which is similar to GATT phraseology) the U.S. could not actually charge that technical discrimination was present.

There have been some 14 notes and aides-mémoire exchanged on this subject between our Embassy and the Philippine Department of Foreign Affairs, with the dates extending from March 1956 to August 1958. Although the limitation on U.S. movies was subsequently lifted, protests regarding all three items were answered by the Philippines only after long delay and never to our satisfaction. The replies either ignored our charge that the consultation provision had been violated or else offered the excuse that the urgency of the circumstances did not allow time for prior consultation. Because of these difficulties, the Embassy indefinitely delayed protesting regarding other important restrictions (such as on textile imports), pending some working arrangement for prior consultation.

In a note of August 5, 1958,⁵ the Embassy finally suggested that after arrangements for implementing prior consultation have been agreed to within the Philippine Government, Embassy officers and appropriate Philippine officials should then meet to discuss details of carrying out these procedures. A few days later the Department of Foreign Affairs replied by note, stating that it was making arrangements for a meeting and "will be pleased to inform the Embassy soon of the exact date the said meeting will take place." The written record on this aspect of the trade agreement ends here—over 8 months ago—with the prior consultation provision of the agreement remaining completely inoperative.

C. Art. VII: National Treatment Regarding Business Activities

Raw Material Material Import Allocations for U.S. Firms

The Embassy has received reports that the Central Bank is discriminating against U.S.-owned manufacturing firms in the Philippines with respect to exchange allocations for imports of raw materials. In only one instance so far, however, has there been available sufficient detailed information to support a formal protest. As a test case, therefore, an aide-mémoire was delivered on February 3, 1959, concerning exchange allocations for the Reynolds Philippines Corporation (51 percent owned by the American aluminum firm) which produces aluminum sheet and foil from imported pig.⁶

⁵ Not found in Department of State files.

⁶ The aide-mémoire of February 3 has not been found; however, telegraphic communications on the subject for 1958 and 1959 are in Department of State, Central File 896.131.

The Embassy pointed out that Reynolds, which began operations in 1955, had its raw material import quota cut in 1957 and further reduced in 1958, while allocations for a new mill inaugurated in 1957 to manufacture competing GI roofing sheets had its quota considerably increased from 1957 to 1958 to a level much higher than that for Reynolds. Moreover, the dollar-saving aspect of the Reynolds production is nearly three times as great as that for the GI sheets (which are manufactured by an influential Filipino family). The Embassy questioned whether this treatment is "in accordance with the letter and spirit of Article VII of the revised trade agreement." No reply has yet been received, and although Reynolds officials were successful in obtaining a promise directly from President Garcia that a large part of the increased quota they sought would be granted, the Central Bank only allowed a small additional allocation in the first quarter.

Import Quotas for U.S. Trading Firms

It appears that some U.S. trading firms have had their general import quotas reduced, over the past year or two, somewhat more than their Filipino counterparts, but the discrimination cannot be readily proven. Often, too, it is more a matter of selected Filipinos being treated better than other Filipinos and Americans because of the influence (political and/or financial) which they bring to bear.

With respect to decontrolled commodities (a limited number of essential food-stuffs and drugs), however, the discrimination is now open. For the second quarter of 1959, the Central Bank is continuing to permit Filipinos to import freely all decontrolled commodities (except wheat flour), while restricting Americans to their 1957 or 1958 quarterly levels (whichever is lower) and non-American aliens to 50 percent of such levels. (This represents a tightening for American importers who were free of any limitation in the first quarter but is a relaxation for non-American aliens who in the first quarter were excluded from trading in decontrolled items.) Although Americans in the current quarter are therefore to be treated better than other alien importers, national treatment requires identical treatment with Filipinos. In the case of wheat flour imports, discrimination is also present but on a slightly different basis. (For controlled commodities—covering the bulk of imports—non-American alien importers had their quotas reduced by 50 percent in the first quarter, which were scheduled to drop to 25 percent in the second and third quarters with all quotas for non-American aliens to be eliminated in the fourth quarter, thus forcing these traders out of business. The policy for the second and later quarters is now being reconsidered and may be modified. In any event, this is an instance where Article VII has served to restrain the Philippines from taking an adverse action against Americans.)

Tax Treatment

The Philippine special import tax law provides a tax exemption for "vessels or ships of any kind or nature intended for Philippine registry, sixty percent of the ownership of which belongs exclusively to Filipinos." In early April of this year, the Philippine Secretary of Finance decided that a U.S.-owned Manila firm which has recently purchased a surplus U.S. Navy barge was liable to payment of the special import tax. He took the position that Article VII of the revised agreement only offers Americans an equal opportunity to engage in any type of business activity and does not extend to equal tax treatment.

In the U.S. view, if the trade agreement phrase "not to discriminate in any manner" has any meaning at all, it most certainly would cover tax treatment which could well be the area of greatest importance to businessmen. If the Secretary's decision is allowed to stand, the way would be opened for a complete dismantling of the significance of Article VII. The reasoning could just as logically be expanded to include foreign exchange allocation policy which together with tax treatment comprise the primary means whereby American businessmen could be forced out of operation, if that should be the Philippine desire.

Bill to Curb Foreign Banks

As on several previous occasions, a bill has been introduced in the current Philippine Congress to prohibit foreign banks from accepting new deposits, although the banks would be permitted to retain existing deposits. Insofar as the branches of the Bank of America and the First National City Bank of New York are concerned, the bill—if passed—would violate the national treatment guarantee of the trade agreement.

"Filipino-First" Policy

The Philippine National Economic Council, in August 1958, made public a new policy which would grant preference to investment proposals and requests for foreign exchange submitted by Filipinos. Later the NEC tightened the conditions for joint investment ventures in a resolution stipulating that "the equity participation of aliens in the capitalization of joint venture enterprises shall not be more than 40 percent." Concurrently, the Central Bank announced that for the fourth quarter of 1958 it would not allocate exchange for the establishment of new industries unless they were (1) dollar-producing industries or (2) wholly Filipino-owned and highly essential dollar-saving industries utilizing at least 90 percent domestically available raw materials.

This overall policy, popularly termed “Filipino-First” as now applied to various facets of Philippine economic life, has been gaining powerful support. And although certain U.S. officials have received some verbal assurances that Americans would be excluded from its provisions by virtue of Articles VI and VII of the trade agreement, in light of the recent record, these assurances cannot be assured to have much validity.

437. Telegram From the Department of State to the Embassy in the Philippines¹

Washington, May 13, 1959—7:11 p.m.

2987. Your 3683.² Results our discussions Aytona-Barot outlined in following memorandum handed to and accepted by Phils at final meeting today.

“Discussions were held in Washington on May 11–May 13, 1959 between officials of the United States and Philippine Governments relating to the application of the United States-Philippine Trade Agreement.

During these discussions, the United States officials expressed the view that the proposed bill now before the Philippine Congress to authorize the collection of a premium of 25% to 40% on licenses issued for the purchase of foreign exchange would be contrary to the provisions of the United States-Philippine Trade Agreement prohibiting any tax on the sale of foreign exchange during the life of the revised Agreement. The United States officials recognized that while the Agreement as revised in 1955 prohibits such a tax, it does not, as did the 1946 Agreement,³ contain commitments concerning the relationship between the Philippine peso and the United States dollar.

In view of the opinion expressed by the United States the Philippine officials indicated that the Philippine Government would now withdraw the proposal for a premium on the sale of foreign exchange and would substitute therefore a new proposal authorizing the Central Bank to establish a uniform margin of not more than 40% over the Bank’s selling rates stipulated by the Monetary Board, any proceeds

¹ Source: Department of State, Central Files, 896.131/5–1359. Confidential. Drafted in SPA; concurred in by James L. O’Sullivan, Deputy Director of SPA; and approved by John M. Leddy, Special Assistant to the Under Secretary for Economic Affairs.

² In telegram 3683 from Manila, May 13, Bohlen stated that the Philippine press had reported on the progress of the Aytona mission and he requested information on the status of the negotiations. (*Ibid.*, 896.131/5–1359)

³ This trade agreement, based on the Philippine Trade Act of 1946 (60 Stat. 141), was signed in Manila July 4, 1946; entered into force January 2, 1947.

from such exchange operations to accrue to the Central Bank for disposition in the same way as profits from other operations of the Bank under Sec. 41 of the Act establishing the Central Bank of the Philippines. The text of this new proposal is attached.

In presenting this new proposal the Philippine officials explained that its purpose was to restrain import demand, in conjunction with other fiscal and monetary measures already in effect or to be adopted by the Philippine Government designed to restrain inflation, to improve exchange reserves, to strengthen the currency and the balance of international payments of the Philippines. They emphasized that one of the purposes of this program was to make possible the immediate initiation of a progressive and gradual removal of exchange restrictions over four years.

After examination of the new proposal, the United States officials were of the opinion that this proposal, unlike the bill now before the Philippine Congress, was of the nature of a monetary or currency action which was not the subject of commitments in the United States-Philippine Trade Agreement as revised in 1955.⁴

During these discussions United States officials also brought to the attention of the Philippine officials a number of measures adopted by the Philippine Government which, in the view of the United States, are contrary to the provisions of the United States-Philippine Trade Agreement, including actions in the fields of foreign exchange allocations, non-national tax treatment, failure to consult on trade restrictions and the special import tax. The United States views on these matters are set forth in a memorandum handed to the Philippine officials on May 11, 1959.⁵ The Philippine officials undertook to bring the United States views on these matters to the attention of the Philippine Government and assured the United States officials that a reply would be forthcoming at an early date."

[Here follows the text of the Philippine proposal, a summary of which is contained in the verbatim text printed above.]

Aytona read telegram received from Garcia that Garcia pleased prospective results of his mission and indicated Phil Govt approved text proposed Phil legislation outlined above. Department officials consulted with Congressman Mills,⁶ Chairman, Ways and Means Committee, who expressed no objection. Will explain Senator Byrd,⁷ Chairman Finance Committee, soonest.

Aytona has been informed US will use following line if questioned by press. United States and Philippine officials have held informal discussions in Washington regarding matters relating to the revised United States-Philippine Trade Agreement of 1955, including a

⁴ The new "margin bill" passed the Philippine House on June 25. (Telegram 4247 from Manila, June 29; *ibid.*, 896.131/6-2959) Since it was a monetary measure, the United States did not consider it in contravention of the trade agreement. (Telegram 267 to Manila, July 20; *ibid.*, 896.131/7-659)

⁵ Not found in Department of State files.

⁶ Wilbur E. Mills of Arkansas.

⁷ Harry Flood Byrd of Virginia.

proposed premium on sale of foreign exchange, the special import tax, prior consultation on trade restrictions, discriminatory allocation of exchange, and generally the operation of the Trade Agreement.

Memoranda of conversation being air pouched.⁸

Dillon

⁸ A copy of the draft memorandum is in Department of State, SPA Files: Lot 64 D 391, Tax on Foreign Exchange.

438. Telegram From the Department of State to the Embassy in the Philippines¹

Washington, August 13, 1959—7 p.m.

481. Joint State/Defense message. MILBA. Embtel 350,² Deptel 3346.³ Following are our views on consultation on use of bases:

Part I. Consultation Formula: We wish to avoid consultation concerning major deployments of U.S. forces and major changes in their equipment. If Philippine Government insists upon consultation on use of bases, we could accept consultation formula as follows: "The operational use of U.S. bases in the Philippines for direct launching of combat operations, other than those conducted in accordance with the United States-Philippine Mutual Defense Treaty and the Southeast Asia Collective Defense Treaty, will be the subject of prior consultation with the Government of the Philippines." We would wish it clearly understood in the negotiating history that the consultation formula does not apply to activities of support elements such as communications; or to resupply and staging activities of U.S. forces.

[2 paragraphs (18½ lines of source text) not declassified]

Part III. Use of Bases for Defense Purposes: We would hope that this question could be handled in the context of the above consultation formula, and that agreement by United States that it would consult

¹ Source: Department of State, Central Files, 711.56396/7-2259. Top Secret; Niact; Limit Distribution. Drafted by Brand of FE/SPA and Lang of OSD/ISA; approved by Marshall Green, Regional Planning Adviser in FE; and cleared in S/AE, FE, NA, SPA, L, G, and OSD/ISA. Repeated to CINCPAC for POLAD, CINCPACFLT, CINCPACAF, CINCUSARPAC, CINCPACREPPHIL, COMNAVPHIL, and COM13th AF.

² In telegram 350 from Manila, July 22, Bohlen asked for instructions on a number of issues related to base negotiations. (*Ibid.*, 711.56396/7-2259)

³ Telegram 3346 to Manila, June 12, repeated the text of telegram 2675 from Tokyo, June 12, in which Ambassador Douglas MacArthur II reported his discussion with the Japanese Foreign Minister on a consultation formula. (*Ibid.*, 794.5/6-1259)

with Philippine Government before using bases for combat operations would eliminate need for separate understanding on U.S. bases for defensive purposes alone.

Dillon

439. Airgram From the Department of State to the Embassy in the Philippines¹

G-32

Washington, September 18, 1959—4:15 p.m.

Unless Embassy convinced present state US-Philippines relations dictates otherwise, State and Agriculture believe Ambassador should make representations to Serrano for more liberal treatment for imports of tobacco from the United States.

Embassy is aware this subject has long history. In brief, prior to 1950 the Philippines was a large importer of U.S. cigarettes. In an effort to save foreign exchange, imports of cigarettes were practically eliminated in 1950, with the result that imports of unmanufactured tobacco increased steadily until 1956. At that time import controls were imposed and imports of U.S. tobacco reduced from an average (1952-56) of 24 million pounds (valued at \$13-14 million) to a low of 48 thousand pounds in 1957. No certificates for imports were issued in 1957. It appears that as soon as the 1956 U.S.-Philippine Agreement² (in which the U.S. granted the Philippines duty-free quotas for tobacco and cigars at preferential rates) was signed, Government of Philippines began initiating measures to prevent its manufacturers from importing U.S. cigarette tobacco. It is obvious that Philippine manufacturers need U.S. tobacco for blending with the neutral low quality domestic tobacco in order to produce acceptable quality cigarettes. Shortage of acceptable quality cigarettes accentuates the black market especially for cigarettes from U.S. and Hong Kong. It would appear in the best interests of the Philippine Government and the Philippine tobacco industry to admit a reasonable quantity of U.S. tobacco, both to in-

¹ Source: Department of State, Central Files, 411.9641/9-1859. Confidential. Drafted in the Foreign Agricultural Service, Department of Agriculture; cleared with SPA; and approved by Clarence W. Nichols, Deputy Director of the Office of International Resources, Department of State.

² Reference is to the Laurel-Langley Agreement.

crease the marketability of the Philippine product and to increase government revenues from tobacco taxes while reducing the incentive for black market operations.

At the present time no tobacco can be imported without issuance of a "Certificate of deficiency in domestic production". The A.A.C.F.A. and now P.V.T.A., both dominated by Philippine tobacco producers, refuse to issue such "Certification" by disregarding the quality deficiencies in domestic production and using only the amount of domestic production as a basis for the determination.

FYI. After stocks of U.S. tobacco in the Philippines became very low in 1958 a direct approach, under unusual circumstances, by an importer to Garcia resulted in the approval of a private barter arrangement to import U.S. tobacco in exchange for Philippine tobacco. However, under provisions of recent legislation (Republic Act 2265) it is illegal to import tobacco into the Philippines under such a barter arrangement.

U.S. tobacco producers and exporters, amongst the strongest supporters of a liberal trade policy, are particularly irritated at the complete closing of the Philippine market. Congressmen interested in maintaining markets for U.S. tobacco are also concerned, and plan to introduce legislation designed to eliminate favorable treatment of Philippine products. They are still smarting over the fact that Garcia gave U.S. tobacco producers and exporter organizations assurances of liberal treatment of imports of tobacco in return for withdrawal of opposition to favorable treatment of Philippine products when the 1956 agreement was being considered. Any legislation affecting Philippine interests during the next session might be affected adversely unless some relief is obtained. End FYI.

It is known that Philippine manufacturers would prefer to include 50 per cent or more U.S. tobacco in their blends. Recognizing the desire to protect the domestic producers and conserve dollars, U.S. tobacco experts estimate that imports of high quality tobacco equivalent to 20 to 30 per cent of total tobacco used in cigarettes would probably meet minimum requirements. It appears that a reasonable request would be that the Philippines agree to certify a minimum deficiency which would permit imports equivalent to at least 20 to 25 per cent of total cigarette tobacco requirements.

During 1956, the latest year for which data are available, it appears that about 59 million pounds of tobacco were used in the manufacture of cigarettes in the Philippines. The data, however, appear inconsistent with the number of cigarettes reported produced, as 40 to 42 million pounds would seem more realistic. Assuming this later [latter] range is more correct, 8 to 10 million pounds of high quality U.S. tobacco valued at 5 to 7 million dollars would be sufficient to provide the minimum quantities needed to improve the quality of

Philippine cigarettes. It would also provide some satisfaction to U.S. tobacco interests who feel their complete exclusion from the Philippine market is a completely arbitrary act operating against the best interests of the Philippines.

Dillon

440. Telegram From the Department of State to the Embassy in the Philippines¹

Washington, October 5, 1959—5:38 p.m.

1045. Your 1177.² Believe Embassy should proceed deliver aide-mémoire along lines G-32.³

Philippine sugar situation not considered particularly burdensome here. Philippine concept that burdensome surplus exists unless all sugar from each crop sold before next harvest begins differs markedly from other large producers. Carryover of reasonable stocks to meet unexpected market demands and to assure filling commitments in event poor harvest is more normal custom among other producers. Witness inability Philippines fill 1957 US quota when shortfall was 74,000 tons. Also fact International Sugar Agreement⁴ requires exporters to carry stocks amounting to 12.5 percent of basic export tonnages.

No possibility exists of offering Philippines our support for increased sugar quota in return for more liberal treatment tobacco. US tobacco interests consider they already gave Garcia quid pro quo in 1955 when they supported ratification Laurel-Langley Agreement particularly provision for duty-free quota on Philippine tobacco. Department informed these interests will make serious effort reduce Phil sugar quota next session. It is recalled that a provision whereby Secretary Agriculture would reduce Philippine sugar quota if Philippines reduced imports of US tobacco was included in sugar bill reported out

¹ Source: Department of State, Central Files, 411.9641/9-2459. Confidential. Drafted by Paul E. Callanan of the Office of International Resources, cleared with SPA and CPT and the Department of Agriculture, and approved by Robert M. Carr.

² In telegram 1177 from Manila, September 24, Bohlen maintained that the U.S. proposal concerning tobacco would not be attractive to the Philippines unless an increase in the Philippine sugar quota was offered as a quid pro quo. (*Ibid.*, 411.9641/9-2459)

³ *Supra.*

⁴ International Sugar Agreement of 1958, December 1, 1958; entered into force for the United States October 9, 1959. (TIAS 4389; 10 UST (pt. 3) 2189)

by House Agriculture Committee in 1955. Provision was removed on House floor by Chairman of Committee evidently as result of assurances given by Philippines.

Herter

441. Memorandum of a Conversation, Manila, October 6, 1959¹

PARTICIPANTS

Mr. Rodrigo Perez, Grand Alliance Campaign Manager
Mr. John McJennett, Political Officer
Mr. Paul Kittredge, Political Officer
Mr. Carl McMillan, Political Officer

In a discussion this afternoon Mr. Perez, who is in charge of the Grand Alliance national campaign headquarters in Manila, weighed the chances of his group in the coming elections. He stressed the broad appeal of the Alliance candidates and the popular response they had been getting in the provinces (with individuals frequently pressing small campaign contributions upon the candidates), but admitted that their major weakness was the lack of a strong local organization to translate this popular impact into political action. He said that while visiting a party locality the Grand Alliance candidates would establish the framework of an organization, but that frequently their men would later be bought off by either one of the major parties. He said that the Grand Alliance was running its own candidates in only six provincial races but was supporting other party candidates elsewhere, and mentioned party support for Liberal gubernatorial candidates in Pangasinan and Laguna. When asked to assess the relative strengths of the Alliance candidates, he listed them in the following order: first, Pelacs, who he admitted is supported in many areas by local candidates of other parties, second, Manahan, then Manglapus and Vargas.² He said that he believed that Vargas was picking up strength and that his major asset was the support of veterans throughout the country, perhaps numbering as many as 500,000 voters.

¹ Source: Department of State, SPA Files: Lot 64 D 391, P-20, 1959 and 1961 Elections. Confidential. Drafted by McMillan.

² Manuel P. Manahan, leader of the Progressive Party and a close associate of former President Magsaysay; Raul Manglapus, former Under Secretary of Foreign Affairs; and Jesus Vargas, Secretary of National Defense, March 1958–May 1959.

Perez listed the principal Nacionalista strong points as an established national organization, unlimited funds and absolute ruthlessness in their pursuit of political goals. He noted, however, that the Nacionalistas lacked unity and that the three principal NP candidates, Lopez, Rodriguez and Pajo³ (all three contenders for the Senate presidency in the next session) were running independently, none supporting the other two.

On the role of the Catholic Church in the elections, Perez stressed that Church support varies widely according to region. He said that parish priests are most open in their oppositionist political activities in Cebu and Bohol. In the Bicol region the Archbishop is a Macapagal supporter; while the Archbishop of Manila has opposed Church political (i.e., oppositionist) action. The Archbishop in Iloilo is the brother of Liberal senatorial candidate Cuenco.⁴

Perez, a former Elections Commissioner, admitted that the incumbent members of the Commission on Elections are NP supporters and that therefore the Commission could not be relied upon to play an impartial role in the elections. In discussing the particular importance of sample ballots in an election in which so many candidates are taking part, Perez said that the Grand Alliance had printed more than 20,000,000 sample ballots (Pajo alone has printed more than 30,000,000), had sent out its first wave, and planned several more waves before election day. He mentioned the final saturation, during the crucial last ten days of the campaign, as the most important. He said the problem for the Alliance was, because of its organizational weakness on the local level, to ensure proper distribution of its sample ballots.

³ Fernando Lopez; Eulogio Rodriguez, a member of the Nationalist Party; and Juan Pajo, Executive Secretary to Garcia.

⁴ Mariano Cuenco.

442. Telegram From the Embassy in the Philippines to the Department of State¹

Manila, October 26, 1959—6 p.m.

1531. Reference (A) Taipei 31 (367 to Department);² (B) Embtel 1525³ repeat of ADMINO CINCPAC 310252Z. Third country use US bases in Philippines while never an agenda topic for exploratory bases discussions with Philippines was issue of extreme delicacy when negotiated out last year and is subject very close to surface in Philippine thinking. [5 lines of source text not declassified] At the time of Quemoy crisis in 1958 Philippines was worried, and matter publicly discussed, that hot pursuit by Chinese Communists of Chinese Nationalist plane making for sanctuary on US Philippine base might involuntarily involve Philippines. Philippine reaction to two cases of C-46's operating under USAF control under third power agreement which during Quemoy crisis landed at field other than Clark under emergency conditions reflected this basic Philippine concern.

In our opinion, therefore [less than 1 line of source text not declassified] use of US Philippine bases in emergency, let alone for operational activities (paragraph 4 reference A), would never be accepted by Philippines unless they already involved. [4½ lines of source text not declassified]

Accordingly, although full text not available to us, we agree that language such as proposed in paragraph 4 reference B be included and be strong enough so that matter would not be raised again by [less than 1 line of source text not declassified]. CINCPACREPPHIL, COM 13th AF concur.⁴

Abbott

¹ Source: Department of State, Central Files, 711.56396/10-2659. Secret. Sent to Taipei and repeated to the Department of State, CINCPAC for POLAD, and CINCPACREPPHIL, and 13th AF. The source text is the Department of State copy.

² Footnote [4½ lines of text] not declassified.

³ Footnote [3½ lines of text] not declassified.

⁴ Footnote [6½ lines of text] not declassified.

443. Memorandum From the Deputy Assistant Secretary of State for Far Eastern Economic Affairs (Peterson) to the Assistant Secretary of State for Far Eastern Affairs (Parsons)¹

Washington, November 9, 1959.

SUBJECT

Legislation to Increase Taiwan's and The Philippine Republic's Quotas in the U.S. Sugar Market

The Problem

CA and SPA respectively believe that the sugar quotas of China (Taiwan) and of the Philippines in the United States market should be increased.

CA has been actively surveying possibilities since last April when the Chinese Embassy raised this matter with us. It is evident that our heavy economic commitment to the GRC could be eased by admitting a certain quantity of Taiwan sugar to the protected and higher priced United States market, thus permitting China to share in the additional income which is now reserved for our "traditional" suppliers. This would reduce Taiwan's need for U.S. economic assistance.

The United States will be in a difficult position vis-à-vis the Philippine Government unless we are able to induce the Congress to revise the Sugar Act² to permit the Philippines to share in the steadily increasing consumption of sugar in the United States. The Philippines urged such revision in 1956 at the time that a sugar bill was being considered by the United States Congress. The best that FE could accomplish in the closing days of Congressional consideration of the bill was to assure the Filipinos in an aide-mémoire³ "that the United States Government will of course sympathetically review the entire question of Philippine participation in the United States market the next time the sugar legislation is revised" and a similar assurance was given by the President in his press statement of May 29, 1956⁴ announcing the extension of the Act. He said, "I believe, therefore, that when new amendments are being prepared at the conclusion of the present Act, consideration should be given to allowing the Philippines to share in increased consumption, as is now provided for other foreign countries by this bill." The Philippines considers these assurances as a definite commitment. Ambassador Romulo left an aide-mémoire

¹ Source: Department of State, SPA Files: Lot 64 D 523. Confidential. Drafted by Louis Mark and Clyde L. Clark.

² An Act to Amend and Extend the Sugar Act of 1948 (Public Law 84-545), approved May 29, 1956. (70 Stat. 217)

³ Not found in Department of State files.

⁴ For text, see Department of State *Bulletin*, June 18, 1956, pp. 1016-1017.

on December 29, 1958⁵ in which he drew our attention to the President's assurances and requested assistance in securing a share in the United States' increasing sugar consumption.

The practical difficulty is that many Latin American sugar exporters exert what pressure they can to maximize their quotas. Further, a few months ago, we were told that the time to reopen this question was not opportune because of the "delicate" Cuban situation. However, we now understand from E that an interagency review of quota arrangements will start in perhaps a couple of weeks and therefore this would be a good time for FE to state its views.

Background

1. *China*

[Here follows discussion of the desirability of allowing Taiwan to have a share in the U.S. sugar market.]

2. *The Philippines*

The Philippines as a dependency of the United States enjoyed complete free trade with the United States. When the Philippines became a sovereign nation, its preferential position changed. The United States agreed to spread this change over a period of 28 years so as to give the Philippine economy time to adjust to United States tariffs. The Trade Agreement of 1946 (revised in 1955) was the instrument used to accomplish this purpose. In the Agreement, sugar was given an absolute duty-free annual quota of 952,000 tons⁶ subject to a schedule of increasing duties so that at the end of 28 years Philippine sugar would be "full-duty sugar".

The 952,000 ton quota was liberal for 1946 in view of the limited production then possible as a result of the destruction of the Philippine industry by the Japanese. However, the Philippine relative share of the United States market has been steadily decreasing from 15.59 percent of the total in 1934–36 to 11.91 percent in 1953–54, 10.6 percent in 1957–58, and 10.4 percent in 1958–59. These reduced percentages under the Sugar Acts are due to the increasing size of the U.S. market in which the Philippines has not been permitted to share.

The Philippine production of sugar for 1958–59 is estimated at 1,467,464 tons as compared with 1,377,847 tons in 1957–58. Its domestic consumption for 1959 is estimated at 320,000 tons and its export quotas of 952,000 tons for the United States and 45,890 tons for

⁵ Not found in Department of State files.

⁶ Various U.S. official figures show this amount as 980,000 tons. The apparent discrepancy is accounted for by a difference in definition of types of sugar. In fact, the 952,000 ton and the 980,000 ton figures refer to the same amount of sugar. [Footnote in the source text.]

the rest of the free world total 997,890 tons. This leaves an estimated exportable surplus of approximately 150,000 tons in excess of quota amounts.

The Philippines is now again in a position to fill a quota established on the basis of normal productive capacity and its historical position. It was slow in restoring its production after World War II, due in part to severe weather conditions and in part to excessive acreage cutbacks resulting from the fear that markets for previous years' carry-over could not be found. The restrictiveness of the quota always constitutes, of course, disincentive to production.

As long as the Philippine position is unchanged, the Filipino politicians and press will exploit the fact that the Philippines is the only important area, foreign or domestic, subject to an absolute quota.⁷ This outcry will increase as the Philippine share of the U.S. market decreases year by year. Since U.S. consumption is expected to increase by about 135,000 tons annually, the Philippine relative share is declining steadily and will decline in time to the point where the position of the United States would be patently indefensible. It would appear easier to amend the Act now when it can be done with little effect on the amounts supplied by other countries than later when the change would be of greater significance.

It appears probable that the Philippine Government would accept without resentment a small increase in its quota for 1961, provided some formula were worked out to give it grounds for feeling it could supply reasonable additional amounts in subsequent years consonant with its competitive position. A sliding scale might be worked out which would not really injure other countries but would eliminate the present situation in which the Philippines is the only major producer which is not permitted to share in increased U.S. sugar consumption.

Recommendation

That you sign the attached memorandum to Mr. Mann⁸ requesting that the Department support a quota of approximately 200,000 tons for Taiwan and in the case of the Philippines an increase of 50,000 tons in the first year to be followed by a sliding scale percentage formula for subsequent years.⁹

⁷ Strictly speaking Taiwan does share in the expansion of the American market but since its basic share amounts to only about one-twentieth of one percent of our imports, the increase is also infinitesimal—about 50 tons a year. [Footnote in the source text.]

⁸ Not found attached to the source text.

⁹ Although the administration wished to make modifications in the existing sugar legislation, Congressman Harold Cooley from North Carolina, Chairman of the House Committee on Agriculture, was opposed to making changes in 1960 because of the volatile situation in Cuba. (Memorandum of conversation by Callanan, March 9, 1960; Department of State, Central Files, 811.235/3-960)

**444. Memorandum From the Chief of the Aviation Division
(Snowdon) to the Office of Southwest Pacific Affairs¹**

Washington, November 16, 1959.

SUBJECT

Briefing Material for Ambassador John D. Hickerson re Philippine Air Transport Agreement

REF

Telephone Conversation Jarvis–Meadows²

We understand that SPA desires to acquaint Ambassador Hickerson with the background on the Philippine Air Transport Agreement along with any information relative to the U.S. position in the contemplated United States-Philippine negotiations. The following represents the situation to date:

Chronology

1. The original Air Transport Agreement was signed in Manila on November 16, 1946³ and provided the Philippines with a route from Manila to San Francisco and beyond over a *reasonably direct route via intermediate points in the Pacific which are U.S. territory*. In effect this restricted the Philippine-designated airline, Philippine Air Lines (PAL), to a direct route between the two countries without touching another foreign country. The U.S. route provided for service from the U.S. to Manila and beyond via intermediate points. Since the intermediate points were not specified, there were no restrictions on the routes which the U.S. might fly to Manila.

2. Three U.S. carriers have been certificated by the CAB and designated to the Philippine Government to fly the U.S. route or parts thereof under the Air Transport Agreement—(a) PAA through the central Pacific to Manila and beyond to Hong Kong, (b) Northwest via the north Pacific, Tokyo, Taipeh to Manila, and (c) Trans World Airlines via Europe, Near East, Middle East, Ceylon and Bangkok to Manila. TWA has since suspended service from Bangkok to Manila due to low revenues.

3. The Philippine Government has evidently felt that the Air Transport Agreement operated to its disadvantage, and at various times has initiated informal discussions with the view toward modify-

¹ Source: Department of State, SPA Files: Lot 63 D 82, Air Agreements. Confidential. Drafted by John S. Meadows of the Office of Transport and Communications.

² Francis G. Jarvis was the Officer in Charge of Economic Affairs, SPA. No record of this telephone conversation has been found in Department of State files.

³ U.S.-Philippine Air Transport Agreement was signed at Manila November 16, 1946; entered into force the same day. (61 Stat. (pt. 3) 2479)

ing the Agreement and obtaining additional rights. Such discussions were held in 1950, 1952/53 and in 1957. During the last round of conversations in 1957, tentative agreement was reached on holding formal negotiations for a new route exchange but the negotiations were never initiated due to the failure of the Philippines to present certain economic data requested by the U.S. to substantiate the Philippine route requests. At various times the Philippines has indicated it is interested in the following additional routes:

- a) To San Francisco and beyond via Tokyo and the central Pacific.
- b) To San Francisco and beyond to Mexico City.
- c) To New York and beyond via Tokyo and Alaska.
- d) To San Francisco or Los Angeles and beyond via Tokyo and Seattle.

4. In 1954 PAL discontinued most of their international services including those to the U.S. because of substantial operating losses. However, it is understood that the U.S. route by itself was profitable.

5. In March 1959 the Philippines and Japan signed a bilateral air transport agreement providing for service between the two countries on a restricted basis. It was subsequently learned that informal attempts have been made by the Philippines to obtain beyond rights at Tokyo for PAL in exchange for beyond rights for a Japanese airline at Manila. As far as can be determined these efforts have so far been unsuccessful.

6. In a note dated February 26, 1959⁴ the Philippine Government denounced the U.S.-Philippine Bilateral to be effective March 3, 1959. Under the terms of the Agreement the provisions of the original Agreement will remain in force until March 3, 1960.

7. Informal conversations between the Embassy and the GOP indicate that the Philippines would prefer to open negotiations in November 1959 for the conclusion of a new agreement. The Department has advised the Embassy that for a number of reasons it will not be possible to hold the negotiations until after the first of the year. No reply has yet been received from this counter proposal.

8. In the latter part of 1958 PAL signed a contract with the Douglas Aircraft Company for the delivery of two Douglas DC-8s to be used over the international routes. The contract was contingent upon satisfactory performance of certain conditions, namely, (a) conclusion of certain domestic legislation permitting PAL to resume international operations and collect subsidy payments, (b) negotiation of beyond rights with Japan, (c) negotiation of a new agreement with the U.S. providing PAL with a satisfactory route, and (d) conclusion of a loan agreement with the EXIM Bank. The domestic legislation has been

⁴ The note was transmitted to the Department in despatch 610 from Manila, March 3. (Department of State, Central Files, 611.9694/3-459)

passed and a loan agreement completed with the EXIM Bank (contingent on a satisfactory route to the U.S.). Negotiations with the U.S. and Japan have not yet been completed.

U.S. Position in Negotiations

A firm U.S. position has not yet been determined since the industry comments have not yet been received. However, it would appear in the preliminary view that the U.S. would adhere to the position that it has consistently maintained down through the years—that is, the U.S. would be prepared to grant the Philippines a route which can reasonably be justified on the basis of traffic between the two countries. It is evident that the Phils desire above all a route to the U.S. via Tokyo. The Tokyo–U.S. route is the most lucrative in the Orient and probably could not fail to be a profitable operation for PAL. By the same token the Tokyo–U.S. route is the most important route in the Pacific for the U.S. carriers and the one on which they are the most sensitive to competition. Since it would appear that PAL would be largely a fifth freedom carrier between Tokyo and the U.S., i.e., relying primarily on traffic other than that between the U.S. and the Philippines, the American carriers are bound to raise strenuous objections to according PAL this route. The U.S. carriers are likely to argue that the economic benefits accruing to the Philippines by virtue of this profitable route are substantially greater than any benefits U.S. airlines are receiving through their services to Manila. They might well contend that it would be better to cease service entirely to Manila rather than grant this valuable right.

The U.S. philosophy surrounding the negotiation of air transport agreements has been founded on two basic principles—a reasonable exchange of economic benefits and the requirement that the routes provided must be primarily justified on the basis of potential traffic between the other country, e.g., the Philippines, and the U.S. or points beyond the U.S. In the particular case of Tokyo, this criterion would require that a sufficient volume of Philippine traffic destined for the U.S. wished to travel via Japan in order to justify such a route. Some fifty international agreements have been concluded on the basis of these two principles. If the U.S. should make a drastic departure at this stage from the fundamental cornerstone of its international air transport agreements, it could well have widespread repercussions affecting those agreements already satisfactorily negotiated and in operation.

It is anticipated that these negotiations will be difficult. It is probable that the Philippines will be particularly intransigent on the subject of the Tokyo route. It is likely that an attempt will be made to interject political factors into the discussions. It is of course impossible at this time to predict the ramifications of the discussions but it can be safely

prognosticated that the U.S. delegation will have a trying task in attempting to reach a satisfactory agreement with the Phils on the basis of economic principles alone.

It is anticipated that the formal U.S. position will be determined in the next month or so at which time it will be communicated to the Embassy in Manila.

445. Memorandum From the Deputy Assistant Secretary of State for Far Eastern Affairs (Parsons) to the Secretary of State¹

Washington, November 20, 1959.

SUBJECT

Philippine Mid-Term Elections

Background

On November 10, 1959, the Philippines held national elections. At stake were eight Senate seats (one-third of the total) plus all elective positions in the 54 provinces and 31 chartered cities of the country. Although President Garcia's term of office has two more years to run, he had staked his prestige heavily by his personal involvement in several aspects of the campaign, so that the election was generally viewed both as a demonstration of the strength of the incumbent Nacionalista Party (NP) machine and as a test of Garcia's own political power. Contests of particular significance in this regard were those for the eight NP-occupied Senate seats, those for the municipal governments in Manila, Cebu City, and Quezon City, and the gubernatorial race in Cebu Province. Three tickets were represented in the Senate races: the NP, which was also supported by the chauvinistic and neutralist splinter party of Senator Recto; the Liberals (LP), who are the "traditional" "other party" in Philippine politics; and the Grand Alliance (GA), a recently formed group of followers of the late President Magsaysay. In the local elections, only the NP and the LP were able to run candidates in most areas.

Traditionally, elections in the Philippines have been decided largely on the basis of effective party organization on the local level, plus access to funds and patronage. By those standards, the elections should have resulted in a landslide for Garcia's NP, which had control

¹ Source: Department of State, SPA Files: Lot 64 D 391, P-20, 1959 and 1961 Elections. Secret. Drafted by Brand and sent to the Secretary through S/S.

of all but four provinces and which openly dispensed money and patronage on a lavish scale during the campaign to the chronically un- and under-employed poorer Filipinos. These assets were offset somewhat, however, by the widespread popular dissatisfaction with the Garcia Administration's record of graft, corruption, and inaction, and the internecine strife within the Nacionalista Party between President Garcia and the powerful but aging NP party president, Senator Rodriguez.

Results of the Elections

With almost all returns in, the election results show the NP losing three of the eight contested Senate seats to the LP. Included among the Nacionalista winners were Senator Rodriguez, the NP Party President whom President Garcia hoped to unseat, Genero Magsaysay who obviously profited from his deceased brother's name and his recent marriage to Rodriguez' daughter, and Alejandro Almendras, another opponent of Garcia's. Garcia's righthand man, Juan Pajo, failed to reach the winners' circle despite the President's all-out support with ample funds and patronage. The biggest vote-getter of all the eight was one of the Liberal Party candidates, Ferdinand Marcos.

Liberal Party governors were elected in 19 of the 54 provinces; while two anti-Garcia Nationalists won the governorships in Cebu and Misamis Oriental. Liberal Party mayors were reportedly elected in 8 of the 28 elective chartered cities. Anti-Garcia Nationalists were victorious in six of those cities (including Manila and Cebu) and independent candidates won in two others. A nonpartisan citizens group in Quezon City, an important Manila suburb, was successful in electing six distinguished citizens to the city council. This successful experiment may lend encouragement to increased local political activity by nonpartisan, civic-minded groups.

Comment

There is no doubt that the great majority of the rural voters accepted the favors, jobs and money offered by the local representatives of the incumbent NP regime. Given the prevalently low standard of living in the Philippines, and the fact that the NP will be in power for two more years, this practical reaction to the democratic process could be anticipated. However, it is apparent that the voters, doubtless including many who accepted NP favors, cast their ballots for the NP man only when they felt he was not identified with Garcia.

Particularly significant, of course, are those contests in which the President's personal prestige suffered: Pajo's loss and Rodriguez' victory in the Senate races; and the anti-Garcia NP victories in the mayoralty races in Manila and Cebu City and in the gubernatorial race in

Cebu Province; and the city council developments in Quezon City. These results are likely to encourage a growing confidence and optimism among opposition elements. Both the 1957 election and this one show that while rural voters will generally follow local political leadership they will no longer accept blindly candidates who are notoriously objectionable either for personal reasons or from the standpoint of clean and effective government.

Another clear lesson from both 1957 and 1959 is that no matter how attractive, candidates cannot win nationally without the advantages of local political organization on a nationwide scale. On the other hand, the Liberal Party cannot unseat the NP if there is a third party appealing to the Magsaysay supporters. Responsible opposition leaders in both groups may be expected to press for a political realignment or coalition to bring all anti-Garcia forces together, now probably under the auspices of the Liberal Party. However, many of the able and influential leaders of the LP and the GA may find it difficult to accept the leadership of the present Liberal Party president, Philippine Vice-President Macapagal, since they blame him for destroying the LP-Progressive Party coalition which looked so promising earlier this year. On the basis of his strong personal showing this year, Senator Marcos may be in a position to compete for the LP leadership before 1961; this might provide a way for unification in spite of the inflexibility which Macapagal has shown up until now.

446. Memorandum of a Conversation, Manila, December 16, 1959¹

PARTICIPANTS

Ferdinand Marcos, Senator-Elect
Lloyd Free, Special Consultant with USIA, Washington
H.L.T. Koren, Counselor of Embassy for Political Affairs, Manila

Last night Senator-Elect and Mrs. Marcos came to dinner, both for the purpose of catching up with him again now that the elections campaign is over, and also so that Lloyd Free could meet him. The three of us had a long talk both before and after dinner—both rehashing the elections and talking about the future.

¹ Source: Department of State, SPA Files: Lot 64 D 391, Memoranda of Conversation. Confidential. Drafted by Koren on December 17.

A lot of the election discussion confirmed from Marcos' viewpoint what we have already put in our despatches. Marcos reiterated what he had already told Leon O. Ty and had appeared in the *Free Press* ascribing his success to the Ilocano clannishness and the fact that the Ilocanos are spread pretty generally throughout many of the key provinces, his activities as minority floor leader, his having constantly kept in touch with leaders, constituents and practically anybody who had contacted him personally or by letter throughout the country, the solid basis of the 6–8 hundred thousand party machine votes, the effectiveness of his campaign theme against corruption of the Garcia administration, his constructive attitude and program for economic reform and reducing the plight of the common tao,² his personal connections with the North and South and his wife's with the Visayas and, last but not least, the effective support that his wife's campaigning gave him. In passing he said that he thought that the women's vote was becoming increasingly important and it had counted in his and Fernandez' victories.³

With regard to the future he readily admitted that he was probably the most sought after man politically in the Philippines for already he had Vice Presidential overtures from Lacson, Osmena⁴ and even Garcia. The latter had come not directly but through an emissary, and he had no doubt as to its validity, whereby the President had said that if he wanted the VP slot with him Marcos had the option of it. He thought that this was pretty amusing and said that it indicated conclusively to him that, as of now, Garcia was definitely a candidate.

With regard to Macapagal's leadership, he was cautious and said that as of now Macapagal was the Liberal candidate and therefore he had made his immediate post-election statement that he was supporting the latter for President. Marcos said that he felt that whoever was the candidate of a cohesive Liberal Party was almost a sure winner. The big problem was to make the party cohesive. He was primarily interested in that and said there was time enough to decide the question of candidates.

The discussion revealed some interesting aspects of his relations with Macapagal and his estimate of him. Marcos said that Macapagal had been dead set against coalition from the beginning and that he, Marcos, had an uphill fight to get him even to consider it and, as a matter of fact, Macapagal would discuss coalition only with him so that he became the LP spokesman. He had tried in vain to break down Macapagal's rigid attitude because he felt that coalition was the golden

² The common man in Tagalog.

³ In the November 1959 senatorial election, Estanislao A. Fernandez (Liberal Party) received almost 2 million votes; Marcos received 2½ million votes.

⁴ Arsenio H. Lacson, Mayor of Manila, and Sergio Osmena, Jr., Mayor of Cebu, both members of the Nationalist Party.

chance. Macapagal's attitude had revealed a weakness which had disappointed him. He was interested to hear Free's impressions of Macapagal and nodded in agreement when Free said that he had found Macapagal on the whole a disappointment. Free felt that while Macapagal had talked easily to him of his Liberal program for the future, it had a platitudinous ring and he felt that Macapagal lacked sincerity and depth. Macapagal had seemed more interested in how to become President than in the more basic national issues. I gained the impression that Marcos felt that first priority was the strengthening of the party and that he was going to bide his time and not make any early decision as to his own political moves. My guess is that he is very receptive to a Vice Presidency slot but he has not discounted his chances to be top banana.

Marcos, as an individual, is an attractive, vigorous, sharp, coolly canny person with a disarmingly modest attitude. His smashing success does not seem to have gone to his head. While he could easily edge out Padilla⁵ from the minority floor leadership, he said that Padilla wanted it and as far as he was concerned he could have it but he would abide by the decision of the party. He said that Villareal⁶ would take his old job as House Minority Floor leader and that there would be several assistants. He said Garcia was using many tricks to try and oust Rodriguez from the Senate Presidency which would automatically lose him the party's presidency. Since the NP was fairly evenly split in the Senate, the LP members might well determine Rodriguez' fate which, if it occurred, would result in his staying in.

During the evening the conversation got off the immediate questions of Philippine politics into the realm of philosophy and theorizing on the future of the country and its position in Asia. This provided Marcos with a number of opportunities to expound on his own philosophy and ideas. It was disappointing to note that he had little to offer and, what he did, seemed to lack depth and scope. This may not be entirely fair because we did not specifically press him but when he volunteered ideas, for instance, in the economic realm, he did not show any particular breadth of understanding of the problems and talked more in terms of what the current administration was doing that was harmful. Likewise, he did not respond with his own thoughts to the very cogent analysis by Free as to how the Philippines is a country in search of a destiny, national identity and national image. If Marcos had thoughts on these subjects and along this vein it would have been only natural for him to voice them during our discussion which lasted long and late. Certainly somebody like Manglapus or

⁵ Ambrosio Padilla, Philippine Senator, member of the Liberal Party and his party's Floor Leader.

⁶ Cornelio T. Villareal had been a Liberal Party candidate for the Senate, but did not win a seat in the 1959 election.

Pelaez would have. The net result was a feeling of disappointment. Here was a man who stood at the pinnacle of political success and, while young, still had considerable political maturity with the brightest possible future ahead of him and yet you questioned whether he was sufficiently broad gauge to fill the very obvious present lack in the Philippines. This does not mean that he will not be a good Senator, which he undoubtedly will be, nor that he will not develop along constructive lines and serve creditably in whatever positions he occupies. He could also be a good President but you have the feeling that he should have an idea man along with him to balance his own obvious administrative talents. It may be of course that he has thoughts that he did not express but nevertheless it was disappointing that he did not offer something to indicate that he had them, because, as a political figure and a young leader in a country woefully lacking in potential leaders, he has everything else.

447. Memorandum by the Director of the Office of Southwest Pacific Affairs (Mein)¹

Washington, January 27, 1960.

BASES NEGOTIATIONS—PHILIPPINES

July 1–October 15, 1959

1. In a message dated July 2 the Ambassador reported that according to Arreglado, Serrano was determined not to leave the jurisdiction issue if there was any hope of reaching agreement; but that he felt he must have concrete United States proposals in draft form or subsequent negotiations on other issues would be “matter of formality with no real feeling or idea of reaching agreement.” (Embtel 39, 7/2/59.)²

2. The Ambassador advised the Department on July 7 that he and Serrano would meet on July 13 to take up the base lands question. He said that Serrano seemed to favor the idea that if there were no major problems of principle, but merely of delimitation of areas, the question might be referred to the MDB which could appoint a technical subcommittee to draw up the specific details, maps, etc. and then to report back to the Governments. The Ambassador asked that he be autho-

¹ Source: Department of State, SPA Files: Lot 64 D 469, Memoranda. Secret.

² All the telegrams cited in this memorandum are *ibid.*, Central File 711.56396.

rized to agree to this. As to jurisdiction the Ambassador said there was no immediate rush since he and Serrano would be discussing other subjects. (Embtel 86, 7/7/59.)

3. On July 9 the Ambassador submitted to Washington for approval a draft position paper on land requirements which he intended to use as a talking paper in a meeting with Serrano on July 13. He also indicated that he planned to play by ear any discussion on possible future combined United States-Philippine use of certain bases. (Embtel 127, 7/9/59.)

4. On July 11 the Ambassador was (a) authorized in event no major problems of principle remained but only that of delimitation of areas to agree to referring the question to the MDB, and (b) advised that we concurred in his draft paper with certain changes. (Deptel 121, 7/11/59.)

5. The Ambassador and Serrano met on July 13 and discussed base land requirements. They reaffirmed their informal understanding that their objective was to reach agreement in principle on relinquishments and acquisitions. It was agreed that lines would be drawn on maps indicating approximately those portions of existing bases we were relinquishing and the areas to be acquired. Those maps would be referred to technical metes and bounds committee to be established for appropriate action. With regard to the concept of joint use, Serrano proposed a general formula that all areas outside the perimeter of the five present major bases be made Philippine bases available to the United States on a combined-use basis or for exclusive United States use, as appropriate. The Ambassador said that although Serrano had raised other points, this was the main question on which he required instructions. He also submitted his recommendations on this point. (Embtel 198, 7/14/59.)³

6. The Ambassador and Serrano discussed land requirements again on July 17, and reached agreement on many points. On procedure they agreed that a statement would be prepared showing the items on which they had agreed and those still to be resolved. Serrano agreed that it would be unnecessary for the metes and bounds committee to delimit the areas to be relinquished in their entirety. They also agreed to refer several matters to the MDB for their opinion before reaching a final agreement. No agreement was reached on Camp John Hay and the entire subject was left open. The question of fishing rights in Subic Bay was also left unresolved. (Embtel 277, 7/17/59.)⁴

³ The Ambassador recommended that sensitive communications facilities remain exclusive U.S. bases. The Loran stations, however, might be classified as Philippine installations and turned over as soon as the Philippines was able to operate them.

⁴ At that meeting, the negotiators agreed that a special committee be set up to deal with administrative questions for the eventual turnover of the town of Olongapo, located in the Subic Bay Naval Base, to Philippine administration. The transfer was

7. On July 19 the Department cabled the Ambassador (a) that it was not clear what the Filipinos had in mind regarding future jurisdiction discussions, and that while we had no objection to discussing jurisdiction concurrently with other items on the agenda, we thought the initiative for this should come from Serrano or Garcia rather than the United States; (b) that on assumption Serrano did not want to discuss jurisdiction at that time, we continued to think it would be unwise to submit the texts of the Japanese formula and the modified Philippine Panel formula;⁵ (c) requesting his comments on Washington's position on submission of the two texts; (d) clarifying our position on certain modifications in the Philippine Panel position, namely (1) stressing the importance which we attached to the unresolved points, (2) pointing out that we had in fact made concessions and were not insisting on 100 percent satisfaction as stated by the Ambassador, (3) commenting on the status of civilian component and dependents. (Deptel 250, 7/8/59.)

8. In commenting on the Department's position (Deptel 250) the Ambassador felt that Washington was trying to dictate tactics and that the "desire to direct and control from Washington all tactical aspects of these negotiations is I think a fundamental mistake and one that has hampered progress of the discussions."⁶ The Ambassador recommended: (a) that for present we should forget the Japanese formula; (b) that he be given a text on the Philippine Panel formula with instructions on the degree of negotiability on (1) Philippine position that the proposed Panel waiver language should be reciprocal, (2) duty definition, (3) consultative formula, and (4) off-base coverage of components and dependents. (Embtel 344, 7/22/59.)

9. On July 22 the Ambassador sent in a list of questions on which he would need further instructions in event an agreement were reached on base lands and he and Serrano moved on to other subjects. These were: currency, immigration, taxation, duration and termination of the 1947 agreement, correlation of agreements, consultation regarding use of bases, related aspects of military aid, and Philippine sovereignty. (Embtel 350, 7/22/59.)

effected through an exchange of notes, signed in Manila on December 7, 1959. For text, see *American Foreign Policy: Current Documents, 1959*, pp. 1247 ff.

⁵ The Philippine Panel's view on jurisdiction was embodied in a March 5 Philippine "White Paper" on bases negotiation. The panel insisted on two points: the U.S. military authorities on U.S. bases in the Philippines had no jurisdiction over a Philippine national and the present provisions regarding off-base offenses should be maintained. (Despatch 702 from Manila, March 5; Department of State, Central Files, 711.56396/3-557)

⁶ In the same telegram, the Ambassador also noted that instructions from Washington had met with "inevitable delay" so that when they arrived they were no longer valid "in view of changed local situation."

10. On August 7 the Ambassador reported that the meeting with Serrano on August 10 should dispose of the major aspects of the base lands problem and result in a formal agreement on relinquishments. He said that Serrano had indicated he wanted to move on to "correlation of agreements" as the next subject for discussion. He requested that Department give priority to furnishing him instructions on this item. (Embtel 586, 8/7/59.)

11. On August 8 Washington informed the Ambassador that it assumed that by "formal agreement" he meant a package agreement in principle on relinquishments, delimitation and new United States requirements. Also, that the requested instructions were being prepared for transmittal. (Deptel 446, 8/8/59.)

12. The meeting on August 10 resulted in agreement on all the items under base lands requirements except Camp John Hay and fishing and navigation rights in Subic Bay. The Ambassador and Serrano agreed they would keep these two questions before them for further discussion but would not delay implementation of the other agreed points pending settlement of these two issues. A formal paper embodying the agreed relinquishments and acquisitions was to be drawn up. The Ambassador and Serrano also agreed on the terms of reference and membership of the metes and bounds and Olongapo committees. (Embtel 625, 8/10/59.)

13. Instructions on consultation on use of bases were sent to the Ambassador on August 13. We were prepared to agree to consultation on operational use of the bases but not on major deployment of United States forces and major changes in their equipment. [*5½ lines of source text not declassified*] We hoped that above formula would eliminate any need for separate handling of question of the use of bases for defense purposes. (Deptel 481, 8/13/59.)⁷

14. Additional instructions were sent to the Ambassador on August 13 regarding duration of the agreement. Our position was that at the request of either party the two Governments would consult through the Philippine-U.S. Council of Foreign Ministers, and if they should agree that no further or future need existed for the base system the two Governments would enter into negotiations for the termination of the Agreement. Instructions were also sent on questions of currency, sovereignty, retaliation and Philippine Offices on Bases. (Deptel 483, 8/13/59.)

15. On August 14 the Ambassador and Serrano signed a Memorandum of Agreement regarding the agreements reached on base lands relinquishments and acquisitions; exchanged letters regarding jurisdiction question on Loran Stations; signed a memorandum to the MDB regarding the amount of land for relinquishment at Clark Field and

⁷ Document 438.

Tarumpitas Point Loran Station, and signed memoranda establishing two committees, one to arrange the turnover of Olongapo and one to set forth the metes and bounds of the remaining bases. (The Department had no expectation that such a memorandum would be signed without reference to Washington. Furthermore, the memorandum omitted any reference to Camp John Hay or to fishing rights in Subic Bay, thus departing from the concept of a package agreement on base land operations stressed in Deptel 446, August 8.) (Embtel 687, 8/14/59.)⁸

16. The Ambassador and Serrano met on August 21 to discuss the topics listed under Agenda Item IV⁹ —Correlation of Agreements (a. Bases for defensive purposes, b. Retaliation, c. Consultation in use of bases, d. Related aspects of military aid). They agreed that no further discussion was necessary on the MDB and on control of new bases, both of which had been disposed of earlier. Serrano did not refer to the specific question of correlation of agreements, nor did he mention the subject of related aspects of military aid. Regarding consultation on the use of bases, Serrano took the position that the Philippines should be consulted as to use of bases for logistic supply and staging purposes in situations which seemed to involve the imminence of actual United States involvement for military action. After discussing this point Serrano agreed to put his position on paper. With regard to duration and termination of the Agreement, Serrano proposed that the 99-year duration period should be reduced to 25 years¹⁰ with the provisions that (a) the Agreement could be renewed after 25 years by mutual consent, and (b) that it could be terminated before 25 years by mutual agreement. On retaliation, the Philippine view was that it would be made clear in simple direct language that an attack on the Philippines would be the equivalent of an attack on the United States. Serrano was satisfied with the Ambassador's explanations on this point, but he expressed the desire that any agreement resulting from the discussions contain a reaffirmation of United States commitments as contained in the Dulles letter of 1954¹¹ and the Eisenhower–Garcia statement of 1958.¹² In reporting the meeting, the Ambassador commented that the

⁸ On August 14, Bohlen and Serrano signed eight papers regarding base lands relinquishments and acquisitions with the proviso: "The above listed papers are in the nature of interim agreements which, as appropriate, will eventually be supplanted by formal Government to Government agreements." Despatch 81 from Manila, August 18, transmitted all the texts. (Department of State, Central Files, 711.56396/8-1859)

⁹ See footnote 3, Document 428.

¹⁰ In his talks with Bohlen, Serrano repeatedly said: "99 years had a very unfortunate political and psychological connotation in the Philippines." (Telegram 743 from Manila, August 21; Department of State, Central Files, 711.56396/8-2159)

¹¹ See footnote 8, Document 401.

¹² At the end of Garcia's State visit to the United States in June 1958, a joint statement was issued, in which President Eisenhower made clear that "any armed attack against the Philippines would involve an attack against United States forces stationed

points at issue had been narrowed down to (a) question of consultation on logistic use of bases in certain situations, and (b) reduction of terminal clause of the Agreement to 25 years. The Ambassador stressed the value from the viewpoint of United States interests of closing as quickly as possible on the complex matter grouped under the heading "correlation of agreements." Serrano did not raise any question of deployment of weapons or missile bases. (Embtel 743, 8/21/59.)

17. On August 27 the Ambassador, in view of the possible time limitation for the conclusion of the bases negotiations and consequent need for acceleration of the discussions, summarized the various aspects of the negotiations with particular emphasis on the points on which he still needed instructions: jurisdiction, base lands, military consultation and cooperation, base operating problems. He asked that his instructions give him the maximum degree of negotiating leeway possible depending on the nature of the subject, and that if possible they contain fallback as well as the preferred position. (Embtel 823, 8/27/59.)

18. On August 31 we informed the Ambassador that we could not agree to Serrano's proposal on consultation on use of the bases, since the use of the bases for logistic and staging operations was vital in the maintenance of United States posture to meet limited aggression in the Pacific area. As to duration of the Agreement, we informed the Ambassador we were reluctant to accept Serrano's proposal to reduce the period to 25 years. We stated we were prepared to accept the 25 years period, however, if necessary to overcome Serrano's proposal concerning consultation with respect to logistic and staging operations, subject to renewal by mutual agreement at the end of that period. (Deptel 656, 8/31/59.)

19. The Ambassador said he would agree with the unacceptability of Serrano's proposal if it in fact involved prior consultation, but Serrano did not envisage that. The Ambassador also requested clarification on some other points. (Embtel 868, 9/1/59.)

20. On September 2 the Ambassador was informed that we could not accept Serrano's consultation proposal since it would in effect give the Philippines a veto in such cases. (Deptel 678, 9/2/59.)

21. The Ambassador said that in view of the apparent strong feeling on the question of consultation, he would inform Serrano of his instructions but he wished to point out that he did not consider Serrano's proposal as giving the Philippines a veto. He pointed out that even without inclusion of the formula there would be nothing to prevent the Philippine Government from making a normal and direct

there and against the United States and would instantly be repelled." For full text, see Department of State *Bulletin*, July 21, 1958, p. 121.

request to the United States to halt any operation it might consider as endangering Philippine security. The Ambassador said it was his considered opinion that we would have greater possibility of avoiding such a situation if we were to accept a general consultation provision without any specific mention of the use of bases than we would if we in effect told the Filipinos that we would assert the right to the absolute untrammelled use of the bases without any reference to Philippine views. The Ambassador said he would be interested in a legal opinion as to whether, in the absence of a specific agreement permitting the United States to use the bases in time of peace for any operations it might see fit, the inherent right of sovereignty would not prevail in event of a major dispute on this point, or if the Philippines could only have recourse to the extreme measure of abrogating the entire agreement. The Ambassador thought there was a danger that our position might lead to protracted discussions during which Serrano might get into other aspects of the negotiations which might be avoided by reaching quick agreement on the points still outstanding. (Embtel 904, 9/3/59.)

22. The Ambassador reported on September 10 meeting in which Serrano submitted a paper and explanation setting forth his views on duration, consultation, retaliation, military assistance, termination of agreements, etc. In this meeting it developed that Serrano wanted "prior" consultation. (Embtel 1010, 9/11/59.)¹³

23. Following the meeting with Serrano on September 10 Ambassador Bohlen advised the Department that we had two courses of action open: a) at the next meeting tell Serrano that if he persisted in maintaining his position on consultation on logistical use of the bases, we had best leave all matters under item 4 of the agreed agenda and move on to the next item; or b) prepare and submit to Serrano a memorandum covering all matters in this category on which agreement would be possible. He recommended the latter course of action. (Embtel 1011, 9/11/59.)

24. On September 16 Ambassador Bohlen submitted to Washington for approval a draft of a Memorandum of Agreement on the subject covered under item 4 of the agreed agenda, namely, consultation on use of the bases, duration and termination of the bases agreement, retaliation, and related aspects of military aid. (Embtel 1083, 9/16/59.)

25. On September 15 the Ambassador was informed that texts on criminal jurisdiction based on a) the Japanese formula, and b) the modified 1956 Philippine Panel formula were being forwarded by

¹³ In this telegram, Bohlen reported that during the meeting there was a lengthy discussion on various wordings for a formula on consultation. Serrano also mentioned military assistance and denounced the inadequacy of U.S. military aid.

airgram,¹⁴ both texts containing maximum and minimum positions on various points at issue. He was given wide discretion in the use of those texts. (Deptel 828, 9/15/59.)

26. On September 23 we informed the Ambassador we concurred with his recommendation regarding the courses of action open on consultation and related items, and authorized him to give Serrano the proposed memorandum with minor modifications. (Deptel 922, 9/23/59.) (Tab A)¹⁵

27. Ambassador Bohlen and Serrano met on September 24, at which time the Ambassador presented the memorandum. In the course of the discussion, Serrano said he could accept everything in the memorandum except that it did not cover the use of the bases for supply purposes as he had presented it. Also, he indicated he wanted the following statement included: "The matter of the correlation of the duration of the MDT, MBA and the MAA, Military Assistance and other matters raised by the Government of the Philippines under par. 2A of this memorandum of agreement shall be subject to subsequent discussions."

The Ambassador said that unless the Department accepted the inclusion of this paragraph, he proposed to maintain his position at the next meeting and to state his unwillingness to sign any memorandum that did not dispose of all the items under this agenda item. (Embtel 1180, 9/24/59.) The Department concurred in this position. (Deptel 950, 9/25/59.)

28. At a meeting on September 29 Serrano presented the following amendments to the memorandum:

a. Par. 1. Drop paragraph as unnecessary.

b. Par. 2(A). Change the phrase "direct launching of combat operations" to "war purposes." After discussion he said he would accept merely omission of "direct launching."

c. Par. 2(A). Insert "The US shall upon request consult with the Philippines on other uses of subject bases."

d. An agreed minute to read as follows: "The Memorandum of Understanding signed today shall be understood to be without prejudice to consideration by the Governments of the US and the Philippines, at a time to be fixed by mutual agreement, of a concrete program of military assistance for development of a modern, balanced and effective Armed Forces of the Philippines and consequent updating of the Mutual Security Agreement."

¹⁴ Airgrams G-33 and G-34 to Manila, September 23. (Department of State, Central Files, 711.56396/9-2359)

¹⁵ Not found attached. The memorandum contained the text suggested by the Embassy in telegram 1083 from Manila, September 16, and modified by the Department in telegram 922 to Manila, September 23. (Department of State, Central Files, 711.56396/9-1659 and 711.56396/9-1159, respectively)

Ambassador Bohlen presented objections to all these amendments, but Serrano asked that he put them to Washington. (Embtel 1232, 9/29/59.)

29. Commenting on the results of the meeting, Ambassador Bohlen said that Serrano had in effect gotten himself in a box on the question of consultation, but that "nevertheless, it is my considered judgment that we cannot accept his general consultation formula which, although innocuous in itself, in the light of the negotiating history of this question and Serrano's attitude, would undoubtedly be interpreted by the Filipinos immediately and in the future as an implied commitment on the US to logistic consultation in a 'critical situation.'" The Ambassador thought one way to resolve the situation, and perhaps avoid a breakdown would be to recognize that in this issue, as well as that of jurisdiction, we were talking about the inherent right of any government to raise any question with a friendly and allied country which it may desire. He suggested that he might be authorized, therefore, to propose the following formula: "Nothing in this Memorandum of Agreement prejudices the inherent right of either government to raise with the other in appropriate circumstances any question of particular interest to it."

As to the minute on military assistance, the Ambassador felt that the disadvantages were not sufficient to warrant its rejection, since the Philippine Armed Forces were greatly concerned about this question, and sooner or later we would have to go into this matter with the Filipinos. (Embtel 1240, 9/30/59.)

30. On October 3 we instructed the Ambassador as follows:

- a. We were agreeable to dropping par. 1, as proposed by Serrano.
- b. We agreed with the Ambassador that we should not substitute the phrase "war purposes" for "direct launching of combat operations", as being far too broad.
- c. We agreed with the Ambassador's rejection of Serrano's two proposals on consultation.
- d. As to military assistance we said that we did not consider this subject as relevant to other points now under consideration, and that the problem should be discussed with JUSMAG, which is responsible for such matters.
- e. As to the Ambassador's suggestion on a general statement recognizing the inherent right of governments to consult, we thought that the arguments used by him with Serrano on the latter's consultative formulas applied equally here and that in view of the negotiating record, we could not accept it. (Deptel 1031, 10/3/59.)

31. The Ambassador decided not to discuss consultation on the use of the bases with Serrano at his meeting on October 5. Instead, he took up administrative problems and jurisdiction. (Embtel 1297, 10/5/59.)

32. In the Ambassador's opinion, unless we could iron out the remaining issues in the consultation complex, we would have considerably less chance of reaching an agreement on jurisdiction before his departure. He requested that he be authorized to have the following drop-back positions in discussing the memorandum on consultations:

- a. Accept "military combat operations" for "direct launching."
- b. As to military assistance (1) agree to Serrano's proposed minute with deletion of words "mutually satisfactory", or (2) have question referred to MDB for their consideration.
- c. Regarding consultation, he asked that we reconsider our position. (Embtel 1307, 10/6/59.)

33. In a telegram to Mr. Parsons the Ambassador said he would use any authorized fall-back positions only in event it would produce an agreement. The Ambassador also stated that since an agreement on jurisdiction before his departure seemed doubtful, it would be useful in resuming the talks at a later date to have an agreement on consultation and related matters. A deadlock on both issues would make, in his opinion, any future prospect of success extremely dubious. (Embtel 1317, 10/7/59.)

34. At the meeting on October 7 the question of jurisdiction was taken up again, but encountered difficulties on first paragraph on definitions. It was agreed that Serrano would take the United States draft proposal on the Philippine Panel position and indicate in writing his proposed changes. The Ambassador indicated that a memorandum submitted earlier by Arreglado had not been blessed by Serrano. He also thought that Serrano would propose many changes and that it was unlikely, therefore, that the talks on jurisdiction would be concluded before his departure. (Embtel 1325, 10/7/59.)

35. On October 8 the Department sent the Ambassador instructions

- a) suggesting several alternatives to substitution of "military combat operations" for "direction [*direct?*] launching of";
- b) agreeing to inclusion of general consultation statement in any over-all agreement which might be concluded but not in an agreement on Agenda IV items only;
- c) agreeing that military assistance should not be included in agreement, and authorizing the Ambassador to agree that the matter should be referred to the MDB rather than JUSMAG if this were the only remaining point of difference. (Deptel 1090, 10/8/59.)

36. The Ambassador expressed his appreciation for the prompt and helpful reply, and requested that he be authorized to set forth our willingness to include a statement on general consultation in any final over-all document formulating any agreements reached in a separate

minute of understanding or letter to Serrano. He also stated he thought there would be not one single final agreement but a series of agreements. (Embtel 1347, 10/9/59.)

37. On October 9 the Ambassador raised the question of how the item on jurisdiction should be left. He said that unless the Department objected, he would leave with Serrano our draft of the 1956 Philippine Panel position which could serve as a point for departure for subsequent talks. (Embtel 1352, 10/9/59.)

38. The Department agreed that no memorandum on jurisdiction should be signed before the Ambassador's departure, and requested that he also table officially our text of the Japanese formula so that record would show clearly our position. (Deptel 1098, 10/9/59.)

39. The Department concurred in the Ambassador's recommendation that he note in a separate written document our willingness to include a general consultation formula in an over-all agreement on all points at issue in the base discussions. It was also indicated that while no final decision had been made as to form, we would prefer a single over-all agreement incorporating and formulating all memoranda of agreements. (Deptel 1099, 10/9/59.)

40. The Ambassador questioned the tabling of the full text of the Japanese formula, and recommended that it not be done since it was clear we had offered this text and Serrano was adamant in his refusal to accept it as basis of discussions. (Embtel 1368, 10/11/59.)

41. The Ambassador and Serrano met on October 12. After some discussion on various points the following documents were signed:¹⁶

a. A Memorandum of Agreement on consultation on operational use of the bases, establishment of missile bases, and duration of the 1947 agreement;

b. A Minute of Understanding on assumptions on which use of the bases is predicated;¹⁷

c. A Minute of Understanding referring questions of military assistance to the Mutual Defense Board;

d. A letter from the Ambassador to Serrano stating we are prepared to include in whatever document formalizes the agreement we had reached "that nothing in the agreement prejudices the inherent right of either Government to raise with the other in appropriate circumstances any question of particular interest to it."

¹⁶ The major aspects and political significance of these documents were spelled out in a memorandum from J. Graham Parsons to Secretary Herter, October 14. (*Ibid.*, SPA Files: Lot 67 D 279, Resumption of Bases Negotiations)

¹⁷ The Memorandum of Agreement is printed in U.S. Senate, Committee on Foreign Relations, Subcommittee on United States Security Agreements and Commitments Abroad, 91st Cong., 1st Sess., *United States Security Agreements and Commitments Abroad, The Republic of the Philippines: Hearings*, Pt. 1, September 30, October 1, 2, and 3, 1969, p. 24. Information on the Minute of Understanding on the bases is in airgram A-162 from Manila, May 27, 1972. (Department of State, Central Files, POL 27 VIET S)

The Ambassador reported that it was thoroughly understood that these were memoranda of understandings reached on the basis of the exploratory talks and that they would be incorporated into formal agreements to be signed by the Plenipotentiaries of both countries.

He also reported that Serrano had given him a long and detailed document on jurisdiction based on a draft given him earlier by the Ambassador. (Embtels 1377, 1379, 10/12/59.)

42. The Ambassador in a telegram to Mr. Parsons expressing appreciation for his support, commented that the agreement represented revisions or additions favoring the Philippines, but that this was true of the entire subject of the bases negotiations. He added that he was convinced, however, that the concessions we had made would not harm our position in the Philippines nor cause us any difficulty in the future. He thought also that the agreement should set the stage for an easier resumption of the talks by his successor. (Embtelet 1380, 10/12/59.)

43. The Ambassador was instructed to table the Japanese Formula before leaving Manila. (Deptel 1154, 10/13/59.)

44. The Ambassador handed Serrano a draft of the Japanese Formula in the course of his farewell call on October 14. (Embtelet 1413, 10/14/59.)

45. The Ambassador left Manila on October 15. Congratulatory messages were sent to him by the Secretary and by Mr. Parsons.¹⁸

¹⁸ Bohlen left Manila to take up his new post as Special Assistant to Secretary of State Herter.

448. Telegram From the Department of State to the Embassy in the Philippines¹

Washington, February 24, 1960—8:52 p.m.

2537. Our 2473.² Your 2582.³ FYI. CAB views re position US-Phil now received. CAB amenable to grant of route to any one point on

¹ Source: Department of State, Central Files, 611.9694/2-2460. Confidential; Niact. Drafted by John S. Meadows; cleared with TRC, SPA, CAB, and E; and approved by Henry T. Snowdon.

² In telegram 2473 to Manila, February 19, the Department suggested that the Embassy ask the Philippine authorities to extend the existing air transport agreement, which would expire on March 3, on a month-to-month basis until negotiations were completed on a new agreement. (*Ibid.*, 611.9694/2-1960) The Philippine Government agreed to the proposal.

West Coast via Tokyo (omitting Honolulu). Point to be selected by Phils will be common for new route and existing Central Pacific route. No beyond rights on new Tokyo route and beyond rights on Central Pacific route limited to Latin America. White House has expressed interest and will want clear US position⁴ before decision on negotiation can be made. Therefore impossible provide Serrano answer on negotiations for February 25 meeting. Info this para should not be divulged to anyone. End FYI.

Request you advise Serrano negotiations under active consideration by interested Washington agencies and hope for formal US proposals on timing and place soon.

Dillon

³ In telegram 2582 from Manila, February 23, Ambassador Hickerson reported that Serrano definitely wanted to renegotiate the agreement. (*Ibid.*, 611.9694/2–2360) Subsequently, U.S. and Philippine representatives held meetings in Washington, April 26–June 2, but no agreement was reached. Minutes of the meetings are *ibid.*, 611.9694.

⁴ White House clearance was received on March 17. (Telegram 2789 to Manila, March 17; *ibid.*, 611.9694/3–1760)

449. Despatch From the Embassy in the Philippines to the Department of State¹

No. 486

Manila, March 11, 1960.

SUBJECT

Comprehensive Economic Assessment—Philippines

1. Summary

The Philippine economy is moderately improved over a year ago with national income growth probably outpacing the population increase by a small margin. The indexes of physical volume of production in manufacturing, mining and agriculture for 1959 all show moderately better performance than in the previous year. As a result of steps taken by the Government to improve the fiscal, monetary and balance of payments situation, the gap between Government income and outgo has been reduced materially, and the excessive expansion of private credit and growth of money supply have been slowed. The value of the peso has staged a rather impressive recovery, and the

¹ Source: Department of State, Central Files, 896.00/3–1160. Confidential; Air Priority. Approved by Henry Drodie, Counselor of the Embassy for Economic Affairs.

country's dangerously depleted foreign exchange reserves have partially recovered as a result of a substantial balance of payments surplus on current account. No progress has been made, however, toward eliminating the graft ridden and uneconomic system of import and exchange controls. Despite the 25 percent margin, which in effect was partial devaluation although this is denied by the Administration, the demand for foreign exchange continues greatly to exceed earnings, and there seems little likelihood that controls can be relaxed without further devaluation. The Government, nevertheless, appears to be contemplating some concessions to growing pressures for an easing of exchange controls, but it seems likely still to hold out against adoption of a realistic exchange rate. Rather, the Administration through adoption of some exchange retention scheme or schemes, probably will continue to move toward an increasingly fragmented exchange rate system.

Gross National Product at 1955 prices is estimated by the National Economic Council to have gained seven percent in 1959 as against 1.9 percent in 1958, although the NEC figure for 1959 may prove high. Agricultural production increased in physical volume in 1959 by nearly four percent as compared with less than one percent the previous year; most agricultural export crops gained in both volume and value, and the total value of agricultural export crops was up 16 percent compared with the previous year. Mining is estimated to have made a gain of about 14 percent in physical volume of production, and manufacturing is up probably close to 10 percent. New investment in partnerships and corporations in 1959 ran 24 percent over that for 1958, and private building construction in Manila was up 17 percent.

The Philippines both through the highest level of exports on record and through the exercise of rigid control over imports achieved a \$5 million surplus on merchandise account in 1959, according to preliminary Central Bank balance of payments estimates. The composition of Philippine trade, for both exports and imports, was generally similar to that for 1958, although for imports both continued industrialization and the general improvement in agricultural production effected some changes within and among commodity groups. The United States' share in the Philippine import market continued declining, and Japan's rising. The United States took approximately the same share of Philippine exports as in the previous year, while Japan's share increased. Other changes in the geographic pattern of Philippine imports and exports were relatively minor.

The Philippine Government's FY 1961 budget and fiscal plan provides for total expenditure of 1,243 million pesos to be financed from existing revenues plus 91 million pesos in borrowings. This 91 million peso planned deficit for FY 1961 is somewhat larger than the

72 million pesos expected for FY 1960, but is considerably lower than the rate of deficit financing in earlier years. Planned total expenditures under the fiscal plan exceed those of the previous year by 75 million pesos.

The upsurge of economic nationalism in the Philippines was given new impetus in the latter half of 1959 when the "Filipino First" policy was officially adopted by the Government's Nacionalista Party Administration. It still, however, is largely undefined as to scope and intensity. Government spokesmen on the one hand assure that it will not be punitive to aliens, will not be discriminatory, and will give due cognizance to existing international commitments. On the other hand, Government officials speaking for domestic consumption advocate the exercise of the Filipino First policy both in terms and to degrees which are immoderate. Filipino First as implemented by Government agencies is increasingly raising barriers against the entry of foreign capital and doubt is growing as to the verity of Government assurances that foreign investment is welcome and wanted. Until these doubts are dispelled the inflow of new private foreign investment probably will continue to be negligible. Americans in business in the Philippines are likely increasingly to feel the effects of the Filipino First policy if the Government follows its apparent present inclination to look more closely at the provisions of the Revised Trade Agreement in order to ensure that preferential treatment accorded Americans in specific instances does not exceed minimum commitments.

General economic conditions probably will continue over the next few months at about present levels. The probable course of economic developments beyond mid-1960, however, is dependent on the outcome of present Government deliberations on some major questions of economic policy. If the Government resorts to some sort of partial decontrol through a currency retention system, it well may add to existing pressures on the balance of payments. Some easing of commercial credit restrictions are also a possibility despite present Central Bank opposition and could further increase the still excessive expansion of credit in the private sector. In short, changes in credit and foreign exchange policies presently under consideration by the Administration if adopted could undo the gains of the past year and once again hasten the process of general financial deterioration.

[Here follow the remaining sections of the despatch.]

For the Ambassador:
William L. Brewster
First Secretary of Embassy

**450. Memorandum of a Conversation, Department of State,
Washington, May 31, 1960¹**

SUBJECT

Philippine Request for Increase in Sugar Quota

PARTICIPANTS

Secretary of Foreign Affairs Serrano of the Philippines
Ambassador Romulo of the Philippine Embassy
General Cabal, Chief of Staff, Armed Forces of the Philippines
Minister Collantes, Counselor on Administration, Department of Foreign Affairs

The Secretary

Mr. Steeves, Deputy Assistant Secretary for Far Eastern Affairs
Mr. Mein, Director, Office of Southwest Pacific Affairs

Secretary Serrano said he had been instructed by President Garcia to appeal once more for a share for the Philippines in the United States sugar quota.² He said that they are fully aware of the problems faced by the Administration, but he wondered whether some method could not be found whereby in return for an increase in Philippine participation in the sugar quota, the Philippines could agree to a larger importation of American tobacco.

The Secretary commented that he was sure Ambassador Romulo understood our difficulties. He said that the Chairman of the Congressional Committee responsible for sugar legislation favors a one-year extension of the Act as it stands and does not wish to hold any hearings. He added that the Chairman was interested in tobacco as well, since he comes from one of the tobacco producing areas of the country. The Secretary said that we had not wanted to open the question of quotas at this time, although we had submitted a Bill which gave the Administration power to act under certain conditions. The Secretary said the Chairman of the Congressional Committee appeared to be holding his Bill so that it would not come out of Committee until very late in the legislative session in the hopes that after passing the House, it would be presented to the Senate at a time when the Senate would not be in a position to do anything except approve extension of the Act so that the Administration's Bill would

¹ Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199. Official Use Only. Drafted by Mein on June 2 and approved in S on June 9. The source text indicates the conversation was held in Secretary Herter's office. Serrano was in Washington attending the SEATO Council meetings.

² Garcia had sent Eisenhower a telegram on March 17 asking for an increase in the Philippine sugar quota. Eisenhower replied on March 31 that it was not possible at this time. For texts of the letters, see Department of State *Bulletin*, April 25, 1960, p. 665.

not have a chance. The Secretary said we do not know what Congress will do, but at least in the House no attention had been paid to the Administration's Bill.

Secretary Serrano said he might have an opportunity to talk to Chairman Cooley while in Washington.

Secretary Serrano asked whether he could inform President Garcia that the United States will review the Philippine request for an increase in the sugar quota with sympathy and consideration. The Secretary said that the Administration certainly would do so if the matter of quotas were re-opened. The Secretary said that we feel the same way about the Philippine request that we did in 1946 [1956] when the President issued his statement, but it was doubtful whether the Administration could get anything at this time.³ Secretary Serrano reiterated that he would talk to Chairman Cooley in the hope of being helpful and would discuss with him his suggestion of a tobacco and sugar arrangement.

³ The Administration's sugar bill was not passed. Instead, Congress extended the 1956 Sugar Act for 3 months and gave the President temporary authority to cut Cuba's sugar quota and assign it to other countries. This amended Sugar Act was enacted on July 6, 1960, as Public Law 86-592. (74 Stat. 330)

**451. Memorandum of a Conversation, Manila, June 15, 1960,
9 a.m.¹**

US/MC/1

PARTICIPANTS

<i>US</i>	<i>The Philippines</i>
The President	President Garcia
Ambassador Hickerson	Secretary of Foreign Affairs Serrano
Mr. Hagerty	Secretary of Finance Aytona
General Goodpaster	Secretary of Defense Santos
Mr. Parsons	Press Secretary to the President Nable
Mr. Koren	Ambassador Romulo

¹ Source: Department of State, Conference Files: Lot 64 D 559, CF 1691. Confidential; Limit Distribution. Presumably drafted by Koren. The source text indicates the conversation took place at the Malacanan Palace, President Garcia's residence. President Eisenhower visited Manila, June 14–16, as the first stop on his Far East tour.

SUBJECT

US-Philippine Relations; Communiqué; Air Agreement

President Garcia opened the conference by saying that they were very pleased that President Eisenhower had honored them with an opportunity to discuss certain matters concerning Philippine-U.S. relationships. He said that a draft communiqué had already been prepared and agreed to in principle by both sides and suggested that it might be used as an agenda. President Eisenhower inquired whether the communiqué contained a reference to the petition he had just received from ex-President Osmena² and the answer was that it did not.

Ambassador Hickerson said that he and Secretary Serrano had exchanged views on the communiqué. There were certain points on which no final agreement had been reached and he suggested that consideration of the communiqué might be postponed until these points had been ironed out. President Eisenhower said that he would be interested in seeing the draft communiqué, whereupon Secretary Serrano read a draft which he said contained both Philippine and U.S. proposed wording.

President Eisenhower said that in general construction and content it was the best draft communiqué he had heard. It was one which was not afraid to speak up and say exactly what was intended, and was not as generalized and meaningless as some he had been offered at other times, which he had refused to accept. He questioned one point in the draft where (in numbered paragraph 4) it spoke of a need for closer military cooperation and planning. He did not like the use of the comparative, i.e., *closer* cooperation. He said that there was continuing need for close cooperation and planning and need for modernizing and keeping efficient the Philippine Armed Forces, but not need for *better* cooperation and planning. In this connection, he spoke of the impossibility for him to pledge the U.S. to anything that might be binding over a number of years, which Congress might possibly change. In terms of the necessity of the two countries doing things together, he was in 100% agreement.

With reference to the point on solving the base problems, particularly jurisdiction, he noted that the U.S. had treaties governing these questions all over the world, and said that the Philippines should always have equality in these matters. The big country should not dictate to the smaller, but neither should the smaller use the big one as a whipping boy. In his opinion, the U.S. and the Philippines should

² Sergio Osmena, Sr., Philippine President, August 1944–May 1946, presented an aide-mémoire concerning certain claims of Philippine veterans. (*Ibid.*, CF 1705)

talk over their problems in a good over-all atmosphere. He also noted that the U.S. receives communications from all quarters and there isn't one that does not get the most sympathetic study.

President Eisenhower went on to say that the communiqué did not mention the problem of the air agreement.³ In this respect, objectivity was needed to see what the problems were, and to solve them. With President Garcia, he stood ready to attempt to settle these problems in complete fairness to both sides and thereby achieve a better atmosphere. He said that as far as the U.S. nation and people were concerned, a treaty which the U.S. has entered into becomes the law of the land.

Ambassador Hickerson suggested that he and Secretary Serrano go over the suggested draft and make whatever small changes appeared to be advisable, at the same time not weakening the language which had been read.

President Eisenhower said that he understood the communiqué would be issued Thursday night,⁴ and this was agreed to. He said that the communiqué could be made as strong as the drafters pleased within the limits already set, but that he would not quarrel personally over the detailed wording.

President Garcia expressed his appreciation that President Eisenhower had opened his heart in stating his views. Referring to the air agreement, he said that it was a question of capacity and what they were asking for was merely enough for them to survive on. President Eisenhower said he was not quite sure of the exact details of what the Philippines were asking. Normally the U.S. made a basic agreement, and specific detailed accords stemmed from that.

Secretary Serrano said that the Philippine position could be simply stated as asking for a stated reasonable proportion of capacity and frequency which would allow their operation to survive, whereas the U.S. position was for unlimited competition. The Philippines were ready to arrange for mutual consultations after the agreement had been operative five years.

President Eisenhower outlined his understanding of the routes the Philippines desired, but Ambassador Hickerson pointed out that negotiations thus far had not reached the question of routes, but only the matter of capacity proportion, which the Philippines desired to be 50% for each. Ambassador Hickerson noted that this proportion would cause a reduction in the present U.S. air transport business in and out of the Philippines.

³ See Document 453.

⁴ June 16.

President Eisenhower said that the U.S. traditionally never wanted to be a party to a cartel such as proposed in this arbitrary division of business, and this aspect was, he felt, probably the reason for the U.S. attitude in the talks. He said the U.S. would be willing to take a look at this question and perhaps some sort of gentlemen's agreement, but not a cartel, might be reached which would meet the situation. He said that the U.S. would look at the question very sympathetically and earnestly. The U.S. had no intention of starving the Philippines, but, on the other hand, wanted the country to grow and prosper. He then spoke of the continuous nagging at the U.S. that certain countries employed with regard to air traffic in their desire to get a piece of the rich U.S. market. It was extremely complicated to adjudicate the question in fairness to all parties.

Secretary Serrano noted that the Philippines had hoped to have preliminary discussions which he felt were necessary to a proper solution of the question, but the U.S. had insisted that the talks be opened formally. President Eisenhower thereupon stated his agreement to the holding of preliminary talks, and directed Assistant Secretary Parsons to tell Secretary Herter of his decision, and that the talks could be either in Washington or Manila. Secretary Serrano said he hoped they could be in Manila because of the expense of sending a Philippine group to Washington. The President indicated no disagreement.

President Eisenhower said he imagined that if there were two choices of air travel, the Filipinos would probably want to go by Philippine Air Lines and PAL would thereby have a more or less guaranteed market. Secretary Serrano answered by saying that the greater portion of the traveling public came out of Tokyo or the U.S. and therefore PAL would be at a disadvantage if they did not have pick-up possibilities in those two places. The President asked if this meant that a negotiation in Tokyo was also required, and when told that it was, he commented that this made the matter very complicated indeed. Ambassador Hickerson said that when a new airline is established in a country, the government of that country normally subsidizes it in whole or in part. President Eisenhower asked if PAL was owned entirely or in part by the government and was told the government owned 54%. President Eisenhower then inquired whether PAL was presently running profitably, and Secretary Aytona answered that it was, very profitably. President Eisenhower said that air transport was a very expensive business and the Philippines should always keep this in mind. President Garcia answered that they had studied the matter very carefully and had come to the conclusion that they could do it and make a profit.

Ambassador Hickerson suggested that the U.S. might be in trouble if it made an entirely new type of agreement with the Philippines, thereby setting a precedent. President Eisenhower replied that

he had never been and never would be frightened of making precedents. He noted that each country was in a completely different position and, while he wanted above all to be fair, he could not, of course, place our whole air transport scheme in difficulties. In regard to our relations with the Philippines, the U.S. would never put the Philippines in any position secondary to other nations. In fact, the Philippines had always enjoyed "most favored nation" position, and some times it seemed even higher than that.

The conversation then returned to the communiqué, and President Eisenhower said that there would be no need for a further meeting on it, if, after further study, there appeared to be no residual differences.

With regard to informing the press, it was agreed a statement would be made saying that at the conference there was an informal discussion of the air agreement and of a draft communiqué. President Eisenhower requested it also be said that the meeting was held in an atmosphere of informality with casual conversation between friends, even though problems of the utmost importance were actually discussed.⁵

⁵ A joint statement was issued in Manila on June 16; for text, see Department of State *Bulletin*, July 25, 1960, pp. 132–133.

452. Telegram From the Department of State to the Embassy in the Philippines¹

Washington, July 13, 1960—7 p.m.

47. Agriculture will shortly announce that 110,000 tons of sugar will be purchased from Philippines under new Sugar Act. Inform appropriate officials immediately and express strong assumption on part officials here that GOP will seize this opportunity to correct present disturbing situation namely that Philippine sugar in bond here or en route is covered by export licenses properly issued by GOP but entry not possible prior to additional import authorization because present quota already filled by prior entry other improperly validated export licenses issued by GOP this year and last. Failure to correct

¹ Source: Department of State, Central Files, 411.9641/7-1360. Official Use Only; Priority. Drafted in OR/CSD; cleared with FE, SPA/E, CPT, and the Department of Agriculture; and approved by Clarence W. Nichols.

situation now could prove increasingly embarrassing to Philippine officials and bring Philippine sugar interests into disrepute among US trade.

FYI. US has no means nor responsibility for checking validity of export licenses issued by GOP. US responsibility ends with ascertaining whether sugar is of Philippine origin and thus eligible for entry against Philippine quota under US law. End FYI.

FYI. Dept has been informed that Representative Cooley, Chairman, House Agriculture Committee, received cable from President Garcia expressing appreciation for stand taken in recent amendments Sugar Act, particularly provisions Philippine sugar. Cable also specifically expressed appreciation Philippine tobacco producers. End FYI. This has led Representative Cooley to believe there is a willingness in Philippines to improve access US tobacco at this time. Embassy should encourage this development without relating it to sugar purchases and report prospects tobacco action Philippines soonest.

Herter

453. Memorandum From the Assistant Secretary of State for Economic Affairs (Mann) to the Associate Special Counsel to the President (McPhee)¹

Washington, July 20, 1960.

SUBJECT

Resumption of Air Transport Negotiations with the Philippines

Negotiations to conclude a United States/Philippine air transport agreement to replace the one that had terminated on March 3, 1960, and at Philippine initiative, were conducted in Washington from April 26 to June 2, 1960. The negotiations bogged down primarily on capacity principles. The Philippines, whose national airline intends to resume transpacific service since the end of 1961, were insistent that the agreement permit them to restrict arbitrarily United States airline operations into and out of Manila. They presented a formula to the United States delegation which for the first five years of Philippine Airlines operation would divide the capacity offered equally between the one

¹ Source: Department of State, Central Files, 611.9694/7-2060. No classification marking.

Philippine carrier and the two certificated United States carriers. The Philippines claimed that such unilateral control over United States capacity was essential to the survival of Philippine Airlines.

The United States delegation pointed out that it had never accepted the principle of predetermination of capacity and that to do so in this instance would undermine the basis upon which United States services are operated throughout the world. Furthermore, Philippine Airlines was already a thriving airline merely adding a new route to its network, and it had an operating organization that was fully familiar with transpacific operations and had made a financial success of these until the voluntary suspension of service in 1954. However, because of the strong feelings held by the Philippines the United States delegation agreed to review its position on this matter.

The United States delegation then offered a proposed minute of understanding to the Philippines,² which was concurred in by the Department of State, the Civil Aeronautics Board, and the interested United States airlines. This minute gave assurances that the United States airlines would not operate an undue capacity prior to inauguration of Philippine Airlines services and would submit to a freezing of capacity for a one-year period after that inauguration. This offer, which went well beyond United States international aviation policy, was summarily dismissed by the Philippines, and they expressed their desire to terminate the negotiations without further discussions.

During the course of the negotiations the two delegations exchanged their route desires. The proposed United States route description was identical to that in the terminated agreement, and the Philippines expressed the view that this gave the United States excessive rights. The Philippine desires were exceedingly broad and were not considered justified on aviation grounds. However, no detailed discussion of routes was possible because of Philippine concentration on the capacity issue.

You will recall that during the conversation on June 15 between President Eisenhower and President Garcia in Manila³ some time was devoted to a discussion of our bilateral aviation relations. President Eisenhower at the time "stated his agreement to the holding of preliminary talks" and promised that we would look at the Philippine proposal regarding arbitrary provision of capacity "very sympathetically and earnestly". From several sources we now learn that the Philippines interpret President Eisenhower's remarks as indicating we will be willing to make concessions even though they may be contrary to the normal standards negotiated by the United States.

² Not found in Department of State files.

³ See Document 451.

In the light of these developments the Civil Aeronautics Board, in consultation with the interested United States airlines, has reviewed the position taken in April and recommends that a revised position be taken in renewed discussions (Tab A).⁴ A Memorandum of Understanding (Tab B) is now being proposed which will offer limitations on the United States capacity to be offered not only for the period up until Philippine Airlines inauguration of transpacific service but for a two-year period after inauguration of such services on the assumption that Philippine Airlines will commence service in the late fall of 1961. This is a concession far more liberal than any heretofore proposed by the United States.

The Board has not seen fit to expand its previous position on the routes to be offered to the Philippines, since this (Tab C) would already offer their airline considerably more traffic potential than it had in the terminated agreement, but now proposes a more specific description of United States routes to satisfy Philippine desires. Trans World Airlines and Northwest Airlines are satisfied with the new Board position on capacity and routes. Northwest is particularly anxious that an agreement be concluded if at all possible. Pan American objects to including Tokyo on a Philippine route which will in all likelihood overlap Pan American into the United States. It is also Pan American's view that voluntary limitations on United States airline capacity are undesirable and that a preferable alternative would be to abandon attempts to reach a compromise agreement and to provide for continuation of operations under unilaterally-issued permits.

The proposed Board position is considered a generous, but equitable, one. On the other hand, it falls short of what the Philippines stated this spring to be their minimum requirements. The Department is prepared to discuss this position with the Philippines, but before doing so would appreciate your confirmation of its belief that in his conversations the President wished only to convey to President Garcia and the Philippine Cabinet members that the United States would give every consideration to reasonable Philippine requests.⁵ If this belief is

⁴ None of the tabs was attached to the source text, but copies were enclosed in a letter from Mann to Snowdon, July 21. (Department of State, Central Files, 611.9694/7-2160)

⁵ In a memorandum to Mann, July 25, Phillip Areeda, Assistant Special Counsel to the President, relayed the President's views: He agreed with the U.S. position on capacity as stated in the Memorandum of Understanding, but he preferred Seattle to San Francisco or Los Angeles as the terminal for the Philippine trans-Pacific route. (*Ibid.*, 611.9694/7-2560)

accurate, the Department plans to send a representative to Manila within the next few days for preliminary discussions.⁶

Thomas C. Mann

⁶ At the end of July, Snowdon went to Manila for further preliminary discussions which were again futile. Serrano insisted that the air transport issue was a political rather than an economic one. No agreement was reached in 1960. Documentation on the subject is *ibid.*, 611.9694.

454. Telegram From the Embassy in the Philippines to the Department of State¹

Manila, July 21, 1960—4 p.m.

128. For Assistant Secretary Mann from Ambassador. Reference: Your 71.² I had a preliminary conversation with Sec Serrano this morning on desirability of opening Phil market for US tobacco. Serrano told me that he had a long and good talk with Cooley when he was in Washington in May and added "I believe Mr. Cooley and I understand one another on this".

Phil Congress will not be in session, barring another special session which unlikely, until late January. Serrano tells me they will need legislation to admit Virginia tobacco.³ Embassy staff and I will press this matter vigorously and keep you informed.

Hickerson

¹ Source: Department of State, Central Files, 411.9641/7–2160. Official Use Only.

² In telegram 71 to Manila, July 19, the Department informed the Embassy that Congressman Cooley requested that the Embassy ask for access to the Philippine market for U.S. tobacco as a quid pro quo for the recent increase in the Philippine sugar quota. The Department concurred and advised Hickerson to approach the Philippine Government. (*Ibid.*, 411.9641/7–1960)

³ Since the Philippine Government took no action in 1960 to increase the U.S. tobacco quota, American tobacco interests asked the U.S. Government to consider the possibility of exporting to the Philippines under P.L. 480. In telegram 735 to Manila, January 9, 1961, the Embassy was informed that exports of tobacco under Title I of P.L. 480 could be considered. (*Ibid.*, 411.9641/1–961)

**455. Briefing Paper Prepared by the Officer in Charge of
Philippine Affairs (McFarland)¹**

Washington, September 16, 1960.

**CURRENT STATUS OF U.S.-PHILIPPINE NEGOTIATIONS ON
CRIMINAL JURISDICTION**

Upon the departure of Ambassador Bohlen from Manila in 1959, negotiations for amendment of the 1947 U.S.-Philippine Military Bases Agreement lapsed. At that time Philippine Foreign Secretary Serrano was still insisting upon arrangements giving the Philippines terms more favorable in the matter of criminal jurisdiction than those enjoyed by any of our NATO allies or Japan.

Talks were resumed July 15, 1960 between Serrano and Ambassador Hickerson, upon Philippine initiative, apparently in the hope that the aura of good will developed during the visit of President Eisenhower could be turned to Philippine advantage.

In the current talks, Serrano has continued to refuse to consider the NATO-Japanese formula despite past public statements by President Garcia that the Philippines expect nothing more than "equal treatment" with our other allies. Therefore, Ambassador Hickerson sought and was granted authority to begin discussions with Serrano based upon the U.S. reformulation of the 1956 Philippine panel formula. Ambassador Hickerson is seeking to reach agreement on jurisdiction over the determination of duty status since until such agreement is reached, he is convinced, discussion of other aspects will prove futile.

Although somewhat more moderate in language than on the occasion of their first meeting, Serrano on August 30 continued to insist that he had reached a number of agreements favorable to the Philippine position in talks with Ambassador Bohlen which required no further discussion. Serrano has so far avoided answering direct questions as to why the Philippines cannot accept the NATO-Japanese formula.

However, after lengthy discussion, Ambassador Hickerson concluded that in the light of Serrano's obscurantist tactics there was no use going into substantive discussion and terminated the August 30 meeting with the statement that he did not think all ideas and possibilities leading to agreement on jurisdiction had been exhausted.

¹ Source: Department of State, SPA Files: Lot 64 D 391, B-1, Policy and Briefing Papers. Confidential. Prepared for Parsons' use at the U.N. General Assembly.

Meantime, although having agreed that the talks should be confidential, Serrano has continued his tactics of press briefings and one-sided leaks reflecting his distorted view of the issues involved to the extent that the Department expressed concern and Ambassador Hickerson simultaneously felt it necessary to set the record straight in a public speech.

Another meeting was scheduled for September 15, 1960² at which time Ambassador Hickerson planned to renew his attempt to get Serrano to concentrate exclusively on the question of duty determination.

² During the September 15 meeting, Serrano insisted on the 1956 Philippine Panel position, so no progress was made. (Telegram 337 from Manila, September 16; *ibid.*, 796.56311/9–1660) The criminal jurisdiction issue was not resolved in 1960.

456. Telegram From the Embassy in the Philippines to the Department of State¹

Manila, December 24, 1960—1 p.m.

710. Reference: Circular 879, December 19.² At end 1955, Pres Magsaysay was completing second year in office; direct threat Communist dissidents had been eliminated; Philippines was engaged rapid economic development all sectors, including initial stages industrialization; fiscal stability had been achieved and Philippines was approaching favorable balance of payments for first time since war; and which most important, personal popularity of President and confidence which he inspired in his program rural reform had restored prestige of national govt. In sum, Filipino aspirations for domestic peace and prosperity promised to be fulfilled by govt which for first time inspired full confidence of masses.

At same time feeling that Magsaysay administration was sacrificing too much in terms Philippine sovereignty and national self-respect for what some considered inadequate economic and military support from United States was being exploited by frustrated politicians, extremists and pro-Communists. As result there had begun to be heard

¹ Source: Department of State, Central Files, 611.96/12–2460. Secret.

² Circular airgram 879 requested U.S. diplomatic representatives abroad to make a year-end review and to propose recommendations. (*Ibid.*, 120.201/12–1960)

in sectors of press and in Congress considerable criticism US policies and actions in Philippines and of the Magsaysay administration's close relationship with Washington.

Criticism US-Philippine economic relations only partially satisfied by revision basic trade agreement 1955. Equal rights provisions³ remained sensitive issue; and Philippine monetary claims had been presented with loud demands for early settlement. Nationalist dissatisfaction focused primarily, however, on system US bases in Philippines and 1947 agreement under which they operated. Demands revision of bases agreement resulted in unsuccessful 1956 panel negotiations.

Magsaysay's death and Garcia's coming into power March 1957 radically altered internal political situation. Political scramble to fill power vacuum resulted in weakened administration headed by man who lacked personal force or popular mandate necessary raise national government's prestige to level set by Magsaysay; 1957 election campaign caused serious drain on public finances undermining stability government's domestic and foreign accounts; finally, Magsaysay's death and Garcia's accession opened way for increased nationalist influence in administration.

Garcia administration sought immediate ways strengthen its position. Garcia's State visit to United States in June 1958 promised both to raise his personal prestige and offer opportunity to negotiate increased financial assistance from US. Disillusionment that resulted when he failed return with financial aid he had promised undercut much of personal gain of his trip. Foreign Secretary Serrano in Oct 1958 also returned disappointed over unsuccessful efforts obtain increased military aid. Another setback was crop failure causing rice shortage and rapid rise food prices.

In this atmosphere US-Philippine relations fell to post-war low in early 1959. Garcia showed concern that his administration avoid giving impression of being influenced by U.S. policy, and set more nationalist foreign policy course which, within framework US-Philippine alliance, was aimed at achieving "respectable independence" in relations with US. Administration apparently saw in nationalist criticism of US scapegoat for own difficulties and opportunity draw public attention from domestic problems. Nationalist officials were permitted air publicly complaints against US, including number incidents involving US armed forces; bases issue; US military and economic aid; omnibus claims; provisions of US-Philippine trade agreement; and US-

³ Reference is to Articles VI and VII of the revised U.S.-Philippine Trade Agreement (Laurel-Langley Agreement). These articles provided U.S. and Philippine citizens equal rights in the disposition, exploitation, and development and utilization of natural resources; as well as in the operation of public utilities and business corporations in the Philippines.

Philippine air agreement. Administration took no steps squelch nationalist propaganda and even abetted it by launching Filipino first campaign, as prelude 1959 election.

In past year, however, nationalist tide has ebbed and stresses and strains that characterized US-Philippine relations in early 1959 have gradually diminished. Administration's poor showing in 1959 elections prompted deemphasis of Filipino first movement. Approach 1961 Presidential elections has resulted general tendency play politically safe theme of pro-Americanism. Never having evoked a broad popular response, the ultra-nationalist theme now appears to have lost vigor and appeal.

American policies have also undercut nationalist criticism. Progress has been made in bases talks. Concessions were made in settlement omnibus claims and accounts were closed.⁴ Pres Eisenhower's visit last June impressed Filipinos with reservoir of good will for United States that had survived temporary differences. Recently, Philippine Government's shift from hypercritical to more receptive attitude on US-Philippine issues has been accelerated by fears possible shift in US policy in Asia.

Economic circumstances have also changed. Generally sound fiscal policies have improved government's financial position, and international balance of payments has been restored. Bumper food crops have further strengthened the economic situation, and economic growth has continued despite political uncertainties.

There is basic cause for optimism in Philippine situation. Economy is fundamentally strong and rate of economic growth, while having declined in last two years, has continued to surpass annual population increase. Country possesses material and human resources necessary meet demands for higher living standards from rapidly expanding population. Program of gradual decontrol promises to stabilize peso, stimulate investment, and reduce incentive and opportunities for government interference and exploitation. Democratic system of government enjoys basic loyalty of people. Difficulties which beset Philippines are those which plague most new nations. There is evidence, however, of growing political maturity and slowly increasing civic consciousness as Filipinos' experience in self-government increases.

This is not to say there are no immediate economic and political problems. Philippines must continue find sources of external financing. Investment capital has often been used unwisely, resources have been squandered, and development opportunities have been missed.

⁴ One of the claims, the dollar devaluation claim, was settled in the Philippines' favor in August 1959. The Philippine Government, however, was prepared to reopen negotiations for the other claims. See footnote 2, Document 399, and Document 417.

Unemployment and underemployment remain serious problem; and increases in national income have not been distributed evenly throughout population.

Weak leadership has resulted in drift in public affairs and fostered inefficiency and corruption in government. Needs of growing population are placing greater demands on governmental services disrupted by constant political interference. Absorption with partisan politics has delayed passage of much needed legislation. There is growing need to decentralize governmental powers to give full scope to political and economic aspirations of provincial populace and to provide adequate government services at local level.

Filipinos share aspiration common to most new nations with underdeveloped economies. Future Filipino goals include higher levels of employment, increased living standards, maintenance of domestic law and order as well as national security, improved educational standards, opportunity themselves to develop national resources, and more effective governmental performance and efficiency. In foreign policy area, Filipinos generally aspire to increased international recognition, especially among nations of Asia. They desire maintenance of close and "special" relations with United States, and continued national security assurances from United States.

There are certain factors, however, that could affect Filipino aspirations over next five years. Philippines as small nation inevitably affected by any alteration in balance of power, or shift in policy by any of principal powers in area, particularly the US. Any indication US taking Philippines for granted or suggestion US might abandon them could lead to rapid and widespread disillusionment and rise in nationalist extremism.

While Philippine economy undergoing steady diversification, US remains major trading partner and currency based on dollar; therefore, any major change in US economic situation or policy would affect Philippines. Domestically, improvement in quality of Philippine leadership could raise internal expectations. Also, while there is genuine and deep loyalty to US-Philippine alliance, younger generation of leaders less devoted than elders to "special" relationship with US.

Recommended courses of action for US:

1. US should recognize that Filipinos expect special attention and consideration because of historical relationship between two countries. US should, in its actions and policies, respect this attitude insofar as feasible. At the same time, US should encourage Filipino self-respect and self-reliance.

2. Any changes in US attitude toward Communist China will have profound repercussions in Philippines. US should continue to assert publicly its vital stake in security and defense of area. Should policy changes become necessary, every effort should be made prepare

Filipino people for shift and to keep Philippine government informed in order foster sense of participation in events which vitally affect Philippine security.

3. US should attempt in its programs and actions to encourage civic pride and responsibility on the part of Filipinos.

4. US should discreetly encourage passage of constructive legislation in Philippine Congress.

5. US should discreetly encourage steps toward greater decentralization of government powers in Philippines.

6. Operation of US bases and US programs of military assistance should be conducted in a manner aimed at maximizing continuity of US-Philippine alliance. All efforts should continue to be to foster sense of mutuality in bases system and aid program.

7. US should continue strive for mutually satisfactory adjustments in bases agreement.

8. Training Filipinos for more effective appraisal of Communist Bloc policies and actions should play larger role in US educational programs and leader exchanges

9. US should continue to encourage more effective Philippine participation in SEATO.

10. US should be prepared to assist Philippines in sound programs for economic development, while avoiding actions which will encourage perpetuation of Filipinos' traditional attitude of dependence upon US.

11. US should encourage greater Filipino participation in economic enterprise, and at same time help Philippines avoid dangers of narrow economic nationalism.

12. US should be prepared standardize its economic and commercial relationships with Philippines, including replacement of present trade agreement with FCN treaty, should its political disadvantages begin outweigh its present economic advantages, and negotiation new air agreement.

13. United States should encourage and support Philippine participation in regional economic programs which would contribute to collective security independent countries of Southeast Asia.

Mein

THAILAND

U.S. INTEREST IN THE POLITICAL AND ECONOMIC STABILITY, MILITARY STRENGTH, AND INTERNATIONAL ORIENTATION OF THAILAND¹

457. Telegram From the Embassy in Thailand to the Department of State²

Bangkok, December 26, 1957—5 p.m.

1867. Repeated CINCPAC and CINCPAC POLAD by other means. Colonel Chalermchai, FM Sarit's aide, requested an emergency appointment with me during which he revealed that Marshal Sarit had had a serious attack on Tuesday morning³ at about 0100 with internal hemorrhaging "near the liver". The doctor fears that as a result of malaria which the FM had when a young man "spleen may be also involved". All doctors are now agreed that Marshal Sarit must undergo a "major operation" and that best place for this operation is US. Some time ago I told FM Sarit that if he should ever decide he wanted to seek medical advice or treatment abroad I would be very happy to do all in my power to help him make arrangements for medical treatment in US. It is in response to this offer that FM now asks my assistance to arrange for his hospitalization at Walter Reed which he thinks would be best hospital. TG will pay all expenses, including expenses for specialists if they are needed and are brought in. Colonel Chalermchai said that he and one doctor would form an advance party and desired to leave as soon as possible, perhaps between January 5 and 10. FM, his wife, 3 other doctors and small party would leave about middle of January resting 3 or 4 days in London and then going direct to Washington. The advance party will attempt to rent a house near Walter Reed if arrangements can be made for Marshal Sarit to enter Walter Reed.

¹ For previous documentation, see *Foreign Relations, 1955-1957*, vol. xxii, pp. 807 ff. Documentation on Thai relations with Cambodia and Thai concern over the situation in Laos is printed in volume xvi.

² Source: Department of State, Central Files, 792.551/12-2657. Confidential; Niact.

³ December 24.

Urge that if at all possible FM's request be granted. Whether he remains in power in Thailand or not,⁴ our gesture of assistance to him will be appreciated by Thai Army and Thai people generally. Please advise by Niact telegram what reply I may make to Marshal Sarit.⁵

Bishop

⁴ Sarit held no political position in the Thai Government, but he had been appointed Military Governor of Bangkok by King Bhumibol Adulyadej after the coup of September 16, 1957, which ousted Prime Minister Pibulsonggram. Sarit was considered the power behind both the coup and the successor government of Prime Minister Pote Sarasin.

⁵ In telegram 1651 to Bangkok, December 26, the Department informed the Embassy that the Departments of Defense and the Army had approved Sarit's treatment at Walter Reed Hospital on the terms stated in telegram 1867. (Department of State, Central Files, 792.551/12-2657)

458. Telegram From the Department of State to the Embassy in Thailand¹

Washington, January 4, 1958—1:16 p.m.

1720. For Ambassador from Robertson. Your letter December 23 recommends U.S. should re-examine its policies and programs towards Thailand² whereas Bangkok telegram unnumbered December 30³ indicates "Thailand posture re collective security, Communism, and Free World has in no way deteriorated and if anything is somewhat stronger," and concludes by suggesting Department maintain illustrative aid program at \$25 million. In light apparent contradiction, we wonder if developments during last part December have arisen to change your point of view.

¹ Source: Department of State, Central Files, 792.5-MSP/12-3057. Secret; Limit Distribution. Drafted by Rolland Bushner of the Office of Southeast Asian Affairs and Eric Kocher, Director of that Office; cleared by Gardner E. Palmer, Deputy Assistant Secretary of State for Far Eastern Economic Affairs; and approved by Assistant Secretary Robertson.

² The text of the letter from Bishop to Robertson reads in part as follows:

"The current efforts which are going on to select a new Prime Minister as well as the establishment of a new National Socialist Party also serve to reinforce my belief that the United States would be well advised in the light of Sarit's rise to power to re-examine and reassess all its policies and programs towards Thailand." (*Ibid.*, Bangkok Embassy Files: Lot 67 F 117, 320 U.S. Policy)

³ This telegram was subsequently numbered 1896. (*Ibid.*, Central Files, 792.5-MSP/12-3057)

This particularly significant because we have been asked to review those parts NSC 5612/1⁴ relating to Thailand and SEATO and had concluded no major revision required at this time. Request any suggested changes you may have for NSC document if you believe revisions needed.

We continue seek solution to Phibun question.

Dulles

⁴ Dated September 5, 1956; see *Foreign Relations, 1955-1957*, vol. xxi, pp. 252-263.

459. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, January 4, 1958—4 p.m.

1939. Repeat CINCPAC and POLAD CINCPAC by other means. Re Embtel 1928.² With exception addition five Ministers Without Portfolio, Thanom,³ Cabinet shows remarkably few changes from Pote Sarasin's provisional government. As noted reference telegram nine Ministries unchanged and new Ministers include two Punnakanta brothers moving up from Deputy Minister. Minister Cooperatives only completely new face.

Five Without Portfolio, however, include three questionable in Net Khammayathin, Tim Buriphat and Ari Tantiwetchakun. As Department aware, Net, who has been known as strong Pridi man, has been director of two Sarit-owned newspapers, *Sarn Seri* and *Thai Raiwan*, which have consistently followed strong anti-American, anti-SEATO line. Tim and Ari, elected to National Assembly December 15 on Unionist party ticket (as was Net) are relatively recent "converts" from leftist economist and free democrat parties respectively. While both within recent months have been credited with more acceptable (from US viewpoint) attitudes (i.e., are quoted in press as saying They

¹ Source: Department of State, Central Files, 792.00/1-458. Confidential. Repeated to Kuala Lumpur, Phnom Penh, Rangoon, Saigon, Vientiane, and Chiangmai.

² Telegram 1928, January 2, transmitted the names of the Cabinet members in the new Thai Government that took office the following day. (*Ibid.*, 792.00/1-258)

³ Lieutenant General Thanom Kittikachorn, who had been Minister of Defense in the caretaker government of Pote Sarasin, became Prime Minister after the elections held on December 15, 1957. He retained his position as Minister of Defense. Prince Wan Waithayakon Krommun Naradhip Bongsprabandh remained as Foreign Minister.

Chotinuchitas Cairo Afro-Asian conference “speaks only for himself”), judgment must be reserved both as to their attitudes toward US and nature their influence within government.

Other two Without Portfolios are ex-SMPs re-elected as independents; both served as Deputy Ministers last Pibul government. Their appointment of interest in view strong Unionist opposition reported against naming any former SMPs to Cabinet. This attitude presumably was factor in keeping Worakan Banacha and Boriphan out of government. Believe appointment these five in part at least based on necessity have more adequate representation from first category (elected membership) of Assembly, since remainder of cabinet with exception Sukit, Sanguan⁴ and Che Abdullah either second category or non-members.

Re-creation Deputy Prime Minister posts not surprising in view nominees. Praphat’s title reflects strong position within military group, while Prince Wan may perhaps be considered in “elder statesman” category and as reassurance to West. Sukit was certainly due some additional recognition and reward for role as Unionist party leader and for willingness see party disappear into new National Socialist Party.

Thanom admitted to press difficulty in putting list together, noting he had been forced make revisions after Sarit failed approve earlier submissions. While this could be considered normal procedure with leader of National Socialist Party, it is actually, of course, demonstration that locus of real authority remains with Sarit.

Pote telephoned me to say briefly he was satisfied with new group. I am somewhat less sanguine, if only on basis three dubious members mentioned above. Do not, however, in view over-all make-up cabinet and preliminary statements by key members, expect significant change either foreign or internal policy in near future.

Bishop

⁴ A marginal notation in the source text at this point reads: “Sarit’s half-brother”.

460. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, January 17, 1958—2 p.m.

2059. Pass Defense and ICA. Country Team message.

1. While Sarit in Washington, believe he almost certain approach Defense and/or State requesting additional aid. Request largely connected personal prestige and desire not to come home empty-handed.

2. Believe not premature Washington agencies consider possible response to any such approach. As indicated Embassy telegram 1896² we have no basis for advocating increased aid at this stage; nevertheless believe our response to any Sarit approach should if possible be helpful and positive, especially from public relations standpoint. Depending on timing, certain announcements regarding program might be connected Sarit visit; possibilities include: a) approval projects currently under consideration within present program; b) action regarding DLF loan projects soon to be submitted; c) announcement AEDF financing telecommunications project; d) FY 59 illustrative aid level; e) increased MDA support as recommended 58 and 59 programs.

3. Having in mind previous misunderstandings regarding "Phao and Sarit grants"³ Country Team urges it be given early opportunity comment if approach materializes and before any commitment made in Washington. As Washington no doubt aware that high-level approaches tend be uncoordinated within TG, therefore believe consultation this end essential if subsequent difficulties are to be avoided.

Wilson

¹ Source: Department of State, Central Files, 792.551/1-1758. Confidential.

² See footnote 3, Document 458.

³ See *Foreign Relations, 1952-1954*, vol. xii, Part 2, pp. 647 ff.

461. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, January 21, 1958—5 p.m.

2107. Joint Embassy–ARMA–USIS message. If approached along lines Deptel 1843,² estimate TG would resist release further information. This based on Thai action toning down initial draft of release in Tousei 294.³ Reluctance make more factual release believed due Sarit's dominant position in holding together present political structure and desire avoid triggering maneuvers toward succession.

Further, only information officially available Embassy reference seriousness of illness is that in Embtel 1867.⁴ Prefer not disclose to TG extent of information gained other sources.

Unsuccessful attempt gain Thai agreement release further information here could hamper freedom of issuing factual releases in Washington. Therefore, since source of expert information reference Sarit's condition will be Walter Reed, suggest Washington best spot for release factual information which then can be repeated here for Thai public.

Wilson

¹ Source: Department of State, Central Files, 792.551/1–2158. Confidential.

² Telegram 1843, January 16, a joint State–Defense–USIA message, reads in part as follows: "We wonder if Thai Government can be persuaded release information concerning probable serious nature Sarit's condition in order prepare Thai public for worst possibility. If not we may find necessary issue such information should it be confirmed by Walter Reed examination." (*Ibid.*, 792.551/1–1658)

³ Not printed.

⁴ Document 457.

462. Telegram From the Department of State to the Embassy in Thailand¹

Washington, January 24, 1958—8:26 p.m.

1931. Joint State-ICA-Defense. Department's 1102.² Despite inclusion in Thai Cabinet several ministers whose foreign policy views are questionable, appears from official position taken by Government leaders (example Government policy statement and Thanom New Year address), as well as Embassy analysis (Embtel 1896)³ that Government is maintaining favorable posture re collective security, Communism and Free World. Therefore unless you see objection we are prepared proceed with normal programming and obligational process for current fiscal year.⁴

For USOM: Have received and are processing FY 58 operational program (Toica A-989).⁵

Herter

¹ Source: Department of State, Central Files, 792.00/1-2458. Secret. Drafted by Bushner and Walter G. Stoneman of ICA, cleared with the Department of Defense, and approved by Gardner Palmer.

² In telegram 1102, October 24, 1957, State, ICA, and Defense expressed concurrence in the aid program approach proposed in telegram 1056 from Bangkok October 5, 1957, which is printed in *Foreign Relations, 1955-1957*, vol. xxii, p. 938.

³ See footnote 3, Document 458.

⁴ In telegram 2190 from Bangkok, January 28, the Country Team concurred. (Department of State, Central Files, 792.00/1-2858)

⁵ Not printed.

463. Memorandum From the Director of the Office of Southeast Asian Affairs (Kocher) to the Assistant Secretary of State for Far Eastern Affairs (Robertson)¹

Washington, January 27, 1958.

SUBJECT

Proposed Call on Field Marshal Sarit

It now appears that Field Marshal Sarit Thanarat, Supreme Commander of the Thai Armed Forces will arrive in Washington at 10:30 P.M. January 27. Bushner and possibly myself intend to meet him at the airport. As his trip is unofficial there will be no ceremonies.

A suggested line of non-committal replies to press inquiries has been cleared and sent to ND—Mr. White. The Thai Embassy and Field Marshal Sarit's Aide have been informed regarding the line we expect to take with the press. The proposed replies to possible press questions are designed to indicate that the primary purpose of Sarit's trip is for medical treatment. However, we do not want to overplay his illness as play-back in Bangkok newspapers might contribute to instability in Thailand.

At White House request it has been arranged through U—Mr. Reams² for the U.S. Government to pay Sarit's expenses at Walter Reed Army Hospital. The White House wishes the State Department to make known to Sarit the President's desire that the U.S. Government undertake these expenses. The Secretariat has been informed that we would recommend that you or Mr. Jones call on Field Marshal Sarit for this purpose.

It would be highly desirable if you or Mr. Jones could call on Sarit the first day after his arrival, your time and Sarit's health permitting. The purpose of such a visit would be to indicate the broad interest of the U.S. Government in him by an expression of interest in his health, and to inform him that the U.S. Government, in accordance with the President's desire, wishes to assume the costs of his hospitalization at Walter Reed Army Hospital and any treatment the hospital may undertake.

¹ Source: Department of State, Central Files, 792.5811/1–2758. Confidential. Drafted by Bushner and concurred in by Howard P. Jones, Deputy Assistant Secretary of State for Far Eastern Affairs.

² Robert B. Reams, Special Assistant for Operations in the Office of Under Secretary of State Herter.

Recommendation:

I recommend that you plan to call on Field Marshal Sarit for the purpose indicated above.³

³ Robertson initialed his approval on the source text. An unsigned marginal note on the source text indicates that the call was made at 4:30 p.m. on January 28.

464. Telegram From the Department of State to the Embassy in Thailand¹

Washington, February 17, 1958—1:19 p.m.

2141. Sarit's physicians present at operation February 14 and reportedly highly satisfied. (Aide Chalermchai and Sarit's son watched operation on color television.) After results Walter Reed examination, but prior operation, one of Thai physicians reportedly told Thai Army Attaché Sarit unlikely live longer than five years.

On contrary Walter Reed doctors advise us impossible predict Sarit's life expectancy. They consider his condition should be improved by operation and outlook good for immediate future. Experience shows [*less than 1 line of source text not declassified*] operation extends life expectancy by years.² Should tend prevent recurrence [*less than 1 line of source text not declassified*] which could prove fatal. They explain operation a palliative [*less than 1 line of source text not declassified*].

Walter Reed doctors plan reemphasize frank advice to Sarit re precautions he must follow in future (re consumption alcohol, etc) and are hopeful he will see need for adhering to recommended regimen.

Dulles

¹ Source: Department of State, Central Files, 792.551/2-1758. Confidential; NoFORN; Limit Distribution. Drafted by Bushner, cleared in substance with Colonel Voegtly of Walter Reed Army Hospital, and approved by Kocher. Also sent to CINCPAC for POLAD.

On February 13, Ambassador U. Alexis Johnson who had succeeded Bishop, in telegram 2385, requested daily reports on Sarit's health which, he reported, "is key factor in current Thai political scene." (*Ibid.*, 792.551/2-1358)

² Telegram 2121 to Bangkok, February 14, summarized the medical evaluation on Sarit [*2½ lines of text not declassified*]. Sarit's condition was listed as satisfactory. (*Ibid.*, 792.551/2-1358)

465. Instruction From the Department of State to the Embassy in Thailand¹

CA-8293

Washington, March 26, 1958.

At conference March 17, Walter Reed authorities informed Sarit and his private physicians along following lines:

He should call upon the Walter Reed staff at any time in event of further illness associated with [*less than 1 line of source text not declassified*] and anything consequent to surgery. He should have regular diet [*1½ lines of source text not declassified*] and should not permit weight exceed that of present. [*5½ lines of source text not declassified*] Physical activity need be limited only by his endurance but should not exercise beyond the limits of tolerance or to point of fatigue. No admonition against mental activity. [*4 lines of source text not declassified*]

The above information was provided to Sarit orally and in written form at private requests from Sarit's aide and wife who intimated he likely forget or deny the limitations prescribed as necessary for his continued health. Provided Sarit conforms to above orders and avoids excesses, including intense and prolonged activity, the medical authorities seem satisfied he can carry on normal activities. Given these precautions, there appears at this time to be no reason to assume that Sarit cannot serve as an active political and military leader upon his return to Thailand. Should any adverse indications develop, the Embassy will be informed.

Dulles

¹ Source: Department of State, Central Files, 792.551/3-2658. Confidential. Drafted by Bushner, cleared in substance by Colonel Voegtly of Walter Reed Army Hospital, and approved by Floyd L. Whittington, Deputy Director of the Office of Southeast Asian Affairs. Repeated to CINCPAC for POLAD.

466. Editorial Note

On April 2, President Eisenhower approved NSC 5809, "U.S. Policy in Mainland Southeast Asia," which superseded NSC 5612/1, September 5, 1956. For text, see *Foreign Relations, 1955–1957*, volume XXI, pages 252–263.

467. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, April 3, 1958—3 p.m.

2832. Embassy now preparing despatch summarizing and evaluating threat posed by leftist movement in Thailand and role played by Pridi and his supporters here and in Red China.² In spite results last two elections, this leftist threat is a very real one and is enhanced by insularity and lack of political sophistication on part of most Thai leaders. These qualities result in opportunistic willingness to deal with Communist China covertly and to cooperate with leftists within Thailand in attempt to gain momentary political advantages particularly as against Democratic Party for present ruling group. While this is thus far less evident that [*than*] in case of preceding group it nevertheless is continuing problem.

I am convinced that key figure in this dangerous situation is Sarit who remains even after a prolonged absence nearest thing to a powerful and forceful political leader within ruling group. I understand he unfortunately shares ignorance of world events and lack of sophistication regarding world Communism characteristic of his colleagues. Since we now have Sarit in US where it is possible to talk with him informally and at length in manner which will be impossible once he returns Thailand, I strongly recommend we seize opportunity, particularly during his stay in Florida, informally and adroitly to brief him on results efforts in other countries to work with and "use" their internal Communist movements. Believe this could be done effectively by some person such as General Erskine who is already known and highly respected by Sarit, probably with assistance from a Department representative. In latter connection Department might desire to consider Ambassador Yost if now available since he well-informed on Communist tactics, including SEA and Middle East, and has had experience in Thailand.

Suggest this proposal be discussed with [*less than 1 line of source text not declassified*] may have additional ideas to contribute.

Johnson

¹ Source: Department of State, Central Files, 792.00/4-358. Secret; Limit Distribution.

² Reference is to despatch 754 from Bangkok, April 28. (*Ibid.*, 792.00/4-2858) It is summarized in telegram 2902, *infra*.

468. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, April 11, 1958—4 p.m.

2902. Deptel 2561.² From US standpoint principal political problem Thailand today is lack firm, well-informed leadership and opportunity this provides for left-wingers to operate within NSP and other elements of government. NSP, govt party, is a disorganized conglomeration conservatives, leftists and politically neutral, both military and civilian, rather than disciplined political party with firm program and fixed purposes. Political inexperience Prime Minister Thanom simplifies task leftists like Net Khemayothin who have gained respectability as Cabinet Ministers.

Problem aggravated by self-deception government leaders who appear believe highly vocal left wing press, supplemented by [garble] Hyde Parkers and professional students, represents "public opinion".

Situation further complicated by traditional propensity some important Thai for covert deals with Communist China for personal profit [*1½ lines of source text not declassified*] left-wingers behind moves to gain new respectability for Pridi and to prepare way for his return to Thailand.

[*1 paragraph (6 lines of source text) not declassified*]

With foregoing as background, I believe recent developments Thailand provide excellent opportunity point out to Sarit how unrepresentative and self-serving leftists are in Thailand. Election results clearly indicate that way to increase prestige and influence NSP and Thai Government is not through association with leftists.

All shades political opinion Thailand including far left, as well as observations interested foreigners, recognize last two elections Thailand—December 15, 1957 and March 30, 1958—were clean and representative. Yet, an entirely erroneous impression Thai political opinion engendered by Thai press. In addition, many individuals with pronounced leftist views run for political office including, in last elections, candidates on ticket NSP, an allegedly anti-Communist party. These candidates soundly trounced. Clearly, neither they nor press represent more than small minority Thai public opinion and have little public support. Free press admirable institution and if left to itself will in any country roughly correspond to prevailing state public opinion. However, this far from case in Thailand where over half of press circulation

¹ Source: Department of State, Central Files, 792.00/4-1158. Secret; Priority; Limit Distribution.

² Telegram 2561, April 8, requested a summary of despatch 754 (see footnote 2, *supra*) for General Erskine's conversations with Sarit. (Department of State, Central Files, 792.00/4-858)

represented by papers expressing pro-Communist views. Obviously this result of Communist direct and indirect subsidies which constitute glaring intervention into Thai affairs. Question is what is purpose this outside support for unrepresentative political views. Clearly, leftists hope undermine existing institutions—monarchy, representative government, etc. As general principle, history demonstrates that once international Communists, even few in number, taken into central government, they ultimately take it over. Once in power, they abolish free press and other free institutions they have taken advantage of in gaining power. Peoples of Eastern Europe overwhelmingly anti-Communist but to no avail. Believe it would be useful explain to Sarit historical facts this regard.

Thai Government could at minimum expose outside support left-wing press. Thai officials could also show much more courage and forthrightness in correcting more glaring misstatements of fact in left-wing press rather than all too often appearing to accept validity left-wing criticism.

On strictly confidential basis and only for background information Department and General Erskine, there is some still very discreet discussion of possibility rapprochement between Democrats and at least some important military. Pote Sarasin took initiative in mentioning this concept approvingly to me. Understand idea has been discussed with Thanom and Praphat who expressed general approval with caveat that such development "was going take little time". Sukit made substantially same point in recent conversation with Embassy officer. Have no indication of what Sarit's attitude may be.³

Such a development obviously would have many ramifications and, therefore, I am not yet prepared to say to what extent it could be encouraged by us. It could, however, prove to be very salutary from US viewpoint. In any event, believe time propitious to impress upon Sarit, along lines suggested above, danger of associating with leftists and giving them respectability in public eye.

Johnson

³ On this question of Democratic-military rapprochement, despatch 754 contained the following observation:

"It goes without saying that we must at all costs avoid the appearance of giving open support to this prospective rapprochement. Such open support would be fatal to the experiment and set back our efforts in Thailand by exposing the United States to serious charges of interference in Thailand's internal affairs. [2½ lines of source text not declassified]"

469. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, April 27, 1958—4 p.m.

3056. Reference: Deptel 2646² and Embtel 3032.³ Sarit's desire discuss aid raises not only question of merits of increasing aid Thailand but wisdom of identifying increased or existing aid with Sarit.

I perceive no compelling economic reasons for increasing general level of aid. We are not in Thailand faced with situation such as that in Korea or Taiwan where withdrawal or drastic reduction of aid would result in practical economic collapse. On other hand, there are, of course, very large number of additional things that could very usefully be done within criteria present aid Tolme work. I am particularly impressed with importance of communications, not only for Thailand's domestic development, but also because of their regional implications. For example, it seems to me that two or three good roads through Thailand reaching into Laos would do much to assist in orientating that strategic country away from north and towards free world countries of south as well as contribute to objective of increasing Thailand's leadership role this area. There is also much that could usefully be done by increasing pace of construction of irrigation reservoirs in northeast as well as increasing education and health programs. However, limiting factor is not only availability of US funds but Thai capacity absorb additional aid. In some fields, particularly construction, Thai capacities to absorb now appear to be near practical limits. Thus additional large-scale construction activities could only effectively be carried out by American engineers and contractors thus involving considerable increase number of Americans in Thailand.

From a military point of view there is also no compelling reason to increase level of military aid. Assuming approval of FY 59 and 60 programs we will have given them in equipment and construction just about all they can effectively use or absorb and future requirements could be limited to a maintenance and participant training program.

¹ Source: Department of State, Central Files, 792.551/4-2758. Secret; Limit Distribution. Repeated to CINCPAC exclusive for Admiral Stump and to CINCPAC POLAD exclusive for Steeves.

² In telegram 2646, April 19, the Department requested suggestions for handling Sarit's anticipated request for more U.S. aid. (*Ibid.*, 792.551/4-1958)

³ In telegram 3032, April 24, the Embassy reported the concern expressed by oil companies operating in Thailand at what they regarded as an unfriendly attitude of the Thai Government toward all foreign oil companies. In particular, they felt that the Thai Government was trying to encourage a Thai oil monopoly in the marketing of oil products in the country. (*Ibid.*, 892.2553/4-2458)

On other hand, from political point of view I recognize there are dangers in appearing too entirely unresponsive to requests for additional aid. One of our most important objectives here is to reduce left-wing influence on government and encourage greater governmental stability. There are Thai elements working in this same direction who argue US aid now inhibited by government instability and more stable government would receive greater US support. We should not appear to be unresponsive to this nor to encourage belief in Thailand that road to US economic assistance for legitimate needs lies in government instability and flirting with other side.

Also, Thais are very alert to what we are doing in other countries in area. If, for example, Thailand's SEATO partner, the Philippines succeeds in obtaining any increased US assistance as result of Garcia's visit,⁴ in spite of general public view of gross Philippine corruption in use of aid and other external resources (in which respect Thailand's record is relatively very good), there would be strong repercussions here.

With specific reference to Sarit's conversations in Washington, I do not believe that we are under any compulsion to give him a "present" to take home. He went to US for medical treatment which has apparently been as successful as could be expected. Also, I believe US should avoid appearance of linking its policies in Thailand to individuals to extent that it has been interpreted here we have done in past. At same time we should avoid giving any grounds for offense to Sarit who is authorized representative Thai Government and will in all probability remain key political leader so long as health permits. There is also consideration that depressed economic situation in northeast Thailand has become important political issue and Sarit himself is from northeast. Thanom and Sarit have committed themselves to "doing something" about northeast and if they appear to have failed in enlisting US support, left-wing elements will become more strident in demanding government accept Communist bloc aid.

As stated in Embtel 3048⁵ I have attempted correct apparent impression of Thanom and others that USOM is now doing little or nothing in that area. I have also been careful to avoid raising any hopes that additional aid might be forthcoming. Thus far in conversations with Prime Minister and Acting Foreign Minister I have taken line that additional aid to northeast is matter of priorities to be determined by Thais within existing aid level.

In light of foregoing I recommend that in conversations with Sarit, Washington discuss increased economic aid with sympathy while pointing out that USG like that of Thailand faces problem of limited

⁴ President Garcia visited the United States, June 17-20, 1958.

⁵ Dated April 25. (Department of State, Central Files, 792.551/4-2558)

resources. Suggest it may be useful show parallel between present Thai Government budgetary and tax difficulties and enormous domestic and international demands made on US budget. Also suggest Washington carefully explain DLF criteria and procedures.

If Sarit appears to be reasonably responsive to matters we raise with him as suggested below, and if any additional funds can be made available I suggest we not make any specific public or private commitments to him on amounts or projects. Rather, he should be given grounds for optimism that some additional funds could be made available for sound projects developed by Thai Government and worked out in Bangkok with USOM and Embassy. This would also serve to diminish counter productive aspects of inevitably long time lag between such announcements and their execution which in past has seriously prejudiced political effects of such projects. That is, I believe past experience has demonstrated that there should as general rule be minimum of publicity on projects until they are complete; or at least, until actual work is underway.

This does not preclude a few relatively minor items such as cobalt bomb (Deptel 2696)⁶ or a DLF loan, which could as matter of expediency be announced in connection with Sarit visit. Usefulness such gesture can best be determined by Washington during course conversations.

Detailed comments on projects which could usefully be considered for additional aid or DLF financing will be submitted when Thai Government requests received.

If there is no possibility at this time of increased aid or additional DLF financing beyond that already contemplated suggest matter be sympathetically explained to Sarit and, where appropriate, EXIM Bank or other such financing be explored for equipment purchases. In any event suggest Department and ICA carefully outline to Sarit what USOM already doing in northeast giving him copy USOM presentation on this (Embtel 3048) which being pouched.⁷

Following are suggested topics for Washington initiate discussions with Sarit:

1) Dependent on assessment results Erskine conversations, left-wing elements in government and responsiveness of government to left-wing pressures, etc., as outlined Embtel 2902.⁸ This connection am pouching on April 30 despatch giving additional details and rec-

⁶ Telegram 2696, April 25, informed the Embassy in Bangkok of approval in principle for shipment of cobalt-60 therapy equipment as part of a project involving peaceful uses of atomic energy. The United States was anxious to avoid the appearance that approval of this longstanding Thai request had come in response to a recent Soviet offer. (*Ibid.*, 861.05192/4-1558)

⁷ A copy of the USOM presentation on assistance to northeast Thailand, 1951-1958, is *ibid.*, 792.5-MSP/5-1358.

⁸ *Supra.*

ommending we support as appropriate and opportune rapprochement between military group and Democratic Party. However, also recommend we carefully avoid giving this "kiss of death" by any appearance we have originated or are promoting.

2) Reduction non-MDAP military forces as one means reducing strain on budget of military expenditures and possibly making available some Thai Government funds for northeast development.

3) Importance foreign investment to economic development (Embtel 2741).⁹ In this connection suggest discussing with Sarit compelling need for Thai Government make forthright and unambiguous statement on oil marketing policy and to act in accordance with that policy (Embtel 3032). I have discussed oil companies' approach with UK Ambassador and we concur that no one in present government appears to have any effective control over General Narong, Chief of OFO, who manages to survive all government changes and who is apparently able dazzle government leaders with supposedly fabulous profits to be made from oil business. Although Thailand enjoys one of cheapest oil prices in world (17 cents a gallon ex tax for regular gasoline in Bangkok, 32 cents with tax) and oil companies have acted very properly, "Farang"¹⁰ oil companies are subjected to irrational and unreasoning attacks by members government and press which tend to whip up anti-foreign sentiment in general. This trend disturbing and could have implications extending far beyond oil company interests. Oil companies' reasonable position is simply that they would like to know what rules are. As sovereign government, Thai Government has policy continue increasing competition with private companies that is obviously its right. Companies are just as obviously in no position compete against this and have no interest in increasing their investment in Thailand to meet increasing demand.

Also, in connection with private investment suggest discussion very adverse effects on potential investors of failure Thai Government implement even present investment law citing Foremost Dairy case as example. Also could cite inability General Tire get anyone in Thai Government even negotiate on definite proposal it made more than 18 months ago to establish tire factory here.

In connection foreign investment Department may desire give Sarit copy my April 21 speech to American Chamber Commerce¹¹ as example efforts Embassy is making encourage investment.

4) Need quickly establish metropolitan electric authority if Thai Government desires DLF loan for distribution system which is essential for utilization Yarn Hee power. While US procedures admittedly

⁹ Not printed. (Department of State, Central Files, 811.05192/2-2258)

¹⁰ I.e., foreign.

¹¹ Not printed.

responsible for long lead time on many projects this excellent example delays for which Thai Government responsible. Might also mention that though US at Manila Council meeting in March quickly and generously promised support to Thai proposal for SEATO graduate engineering school thus far no definite project yet forthcoming from Thai Government.¹²

Foregoing has been discussed with Country Team which concurs.

Johnson

¹² The SEATO Council meeting was held in Manila, March 11–13, 1958; see volume XVI.

470. Telegram From the Department of State to the Embassy in Thailand¹

Washington, April 30, 1958—4:12 p.m.

2723. Your 2832.² General Erskine who returning to Washington shortly has provided us advance written summary his extended talks with Sarit.³ Sarit said by his wife to work until 3 am frequently and Erskine indicates Sarit's recovery appears excellent. During Erskine visit Lieutenant Generals Poch and Chitti, Air Vice Marshal Chalermkiat and Chatchai called on Sarit.

Sarit expressed following views to Erskine:

1. Thailand needs overall plan for industrial and economic development (revealed no concept of what such plan should be);
2. Aid projects for Bangkok psychologically important and more economic aid for Thailand essential;
3. Meeting with President⁴ will strengthen Sarit at home (emphasized necessity for Presidential approval of expanded aid program for Thailand);
4. Desires agreement "top" level US officials to specific amount US funds to be used at his discretion (also desires US-subsidized pro-Government newspaper);

¹ Source: Department of State, Central Files, 792.551/4–3058. Secret; Limit Distribution. Drafted by Bushner and approved by Kocher.

² Document 467.

³ A copy of General Erskine's report, dated April 22, on his meetings with Sarit in Florida is in Department of State, Central Files, 611.92/4–2258. The meetings took place on April 18, 19, 21, and 22.

⁴ See Document 474.

5. Plans invite US firms to invest in Thailand (questionnaire requests firms to indicate plans for gradual turnover of ownership to Thai individuals, companies or Government);

6. Intends assign liaison officer (probably Chalermchai) as "accredited" personal representative and courier Washington;

7. Recognizes that trade with Chicoms through Hong Kong is subsidizing pro-Communist newspapers Bangkok;

8. Mentioned advice to NSP about alertness to Communism (this included in projected message to NSP translated for Erskine);

9. Affirmed he would never permit Pridi to return as long as he in power (but made contradictory statement re recognition of Communist China).

In connection desire for Bangkok projects Sarit suggested possibility use ship-borne electric generator and Army field water supply units to meet urgent need for power and water. (Erskine pointed out difficulties in latter proposal.)

Pouching copy Erskine summary.

Dulles

471. Memorandum From the Acting Secretary of State to the President¹

Washington, May 2, 1958.

SUBJECT

Call of the Supreme Commander of the Armed Forces of Thailand

Field Marshal Sarit Thanarat (Srisdi Dhanarajata), Supreme Commander of the Armed Forces of Thailand, is calling on you Wednesday, May 7, at 9:30 a.m. He will be accompanied by His Excellency Thanat Khoman, Ambassador of Thailand, who will interpret, and The Honorable Walter S. Robertson, Assistant Secretary of State for Far Eastern Affairs. Sarit saw you informally when he visited Washington in July 1954.

Sarit is Thailand's chief leader, in fact but not in title. He publicly opposes Communism and supports the Southeast Asia Treaty Organization. However, he and his colleagues have been susceptible to leftist pressures in Thailand and are not well informed regarding the methods of International Communism, particularly the popular front technique.

¹ Source: Department of State, Central Files, 711.11-E1/5-258. Confidential.

Sarit wishes to thank you personally for medical treatment received at Walter Reed Army Hospital, which he knows has prolonged his life. He has apparently had a rapid recovery during his convalescence at Hollywood, Florida, during the past month. He has been informed that you are interested in his health.

It has been emphasized to Ambassador Khoman that this is a courtesy call, but Sarit may nevertheless bring up substantive matters. His letter to you² expressed a desire to discuss cooperative efforts to meet the Communist danger in Southeast Asia, and we have recently learned that he is empowered to speak to you on the Thai Government's behalf with a view to further strengthening cooperation between Thailand and the United States, particularly in the economic and military fields. Appropriate officers of the Department of State are prepared to discuss such matters with him. It would be helpful if you would comment approvingly on his public stand for the Southeast Asia Treaty Organization in the face of propaganda attacks on the Organization by Thai leftists and neutralists.

Biographic material regarding Field Marshal Sarit and Ambassador Khoman is enclosed.³

Christian A. Herter⁴

² A copy of this letter, dated April 8, is in a collection of briefing materials for the discussions held by various U.S. officials with Sarit during May 1958. (*Ibid.*, 792.5–MSP/5–1358)

³ Not found attached.

⁴ Printed from a copy that bears this stamped signature.

472. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, May 2, 1958—4 p.m.

3098. In re discussions with Sarit, we have recommended in previous messages mentioning unrepresentative nature Thai press which dominated by leftwingers. Believe in Department's discussions would be useful refer specifically to *Sarn Seri* and *Thai Raiwan*, Sarit-controlled papers. Incongruity of Thailand's asking us for additional aid while papers he controls constantly belabor motives behind this aid

¹ Source: Department of State, Central Files, 792.551/5–258. Confidential; Limit Distribution.

(and other US policies) should be brought to his attention. Question arises as to what Thai foreign policy really is and impression Thai neighbors must get of this policy from reading Thai press.

Sarit's probable disclaimer of control over these papers not to be taken seriously since he is backing them financially. This connection, [less than 1 line of source text not declassified] report [document number not declassified]² prepared [less than 1 line of source text not declassified] early February which says of both papers: "This paper under supervision Major General Net Kemayothin. Company under patronage FM Sarit Thaharat. This paper can very well support itself". Any reference to "freedom of press" or *New York Times* criticism Thailand can be met by contrasting Sarit backing two papers in question and lack of government control US press which in aggregate truly representative public opinion.

Believe salutary effect if Sarit takes remedial action will be far greater than merely removing two papers from leftwing column (itself highly desirable) since Sarit's control these papers commonly accepted fact in government circles.

Have just seen Deptel 2723³ and believe obvious answer to any request for US-backed pro-government paper is that Sarit should swing *Sarn Seri* and *Thai Raiwan* behind government. Both making money and need no additional backing. Will comment separately on other points Deptel 2723. Summaries recent editorials these papers in separate message.⁴

Johnson

² Not found.

³ Document 470.

⁴ Reference is to telegram 3099 from Bangkok, May 2. (Department of State, Central Files, 792.00/5-358) Samples from the Thai press are also in the briefing materials for the Sarit talks; *ibid.*, 792.5-MSP/5-1358.

473. Telegram From the Department of State to the Embassy in Thailand¹

Washington, May 5, 1958—9:05 p.m.

2757. Thai Ambassador called on Robertson May 5 to present memorandum which indicated he had assisted Field Marshal Sarit prepare as background for upcoming meeting with President.²

After expression gratitude for US courtesies and fact US medical treatment prolonged his life, memorandum indicated Sarit's concern, as one who shares responsibilities in securing security welfare Thailand, re situation Southeast Asia. It affirms Thailand's and Field Marshal's intention remain on free world side and expresses hope "present case will not be considered as a trifle" and "may lead to some concrete results".

Memorandum states Communists aim to encircle Thailand and refers unabated subversive activities including flirtation Thai elements with Communists (mentions ChiCom efforts use Pridi and exploitation ChiCom trade to subsidize subversion). Recommends making Thailand barrier to Communist southward move by strengthening democratic government's influence and stability, aiding improvement Thai economy and living conditions Thai people, and strengthening Thai armed forces. Requests designation US official discuss with Sarit short-term and long-range plan fight against Communist subversion and potential aggression, and establishment small "unofficial" body in Thailand to direct operations.

Memorandum asserts Thailand's best efforts not equal to task improving economy and living conditions and, with special emphasis on northeast, calls for measures to increase productivity, diversify national income by setting up processing industries, improve communications and power sources as well as Thai technical skills.

Memorandum affirms intention observe SEATO obligations and states Thailand does not wish more military units than have been agreed upon. Calls for erection factories to insure military supplies, improvement communications and armed forces welfare, all Thai military units to be covered by MAP and fighting efficiency increased and adds "mutual aid system should be replaced by full aid" because of

¹ Source: Department of State, Central Files, 792.551/5-558. Confidential.

² A copy of the Thai memorandum is in the briefing materials for the Sarit talks; *ibid.*, 792.5-MSP/5-1358.

Thai economic difficulties (Ambassador's comments suggest this relates to JUSMAG administrative and logistical support costs). Purpose foregoing to enable Thailand better perform role Southeast Asia.

Memorandum concludes with request for US sympathy and cooperation in Thailand's precarious situation. *End Summary.*

Robertson pointed out impossibility making major alterations in FY 1959 aid programs on which preparation commenced one year ago on basis consultations between US representatives and those of countries receiving aid, and which now before Congress. Also emphasized Congressional responsibility for appropriation and necessity that executive, after giving strenuous support to aid proposals, pro-rate resulting appropriations among countries to be aided. Added he had never known President to discuss details programs in individual countries, but concluded it important for Sarit to describe for President problems Thailand and Southeast Asia in which Robertson sure President would be interested.

Herter

474. Telegram From the Department of State to the Embassy in Thailand¹

Washington, May 7, 1958—5:32 p.m.

2779. Call of Sarit on President May 7, in which Robertson, Thai Ambassador and Colonel Chalerchai participated, carried out in utmost cordiality.² Sarit delivered to President greetings from Thai Government and his thanks for hospitality and excellent medical treatment received Walter Reed. He discussed with President broad outlines Thai situation and problems including in most general fashion need for increased aid. President indicated that Mr. Robertson and other appropriate US officials would have subsequent discussions with him these matters.

Extensive photographic coverage given meeting, which lasted about twenty minutes. Department release re Sarit visit³ carried on

¹ Source: Department of State, Central Files, 792.551/5-758. Confidential. Drafted by Kocher and approved by Robertson.

² A brief memorandum of conversation on this meeting by Robertson is *ibid.*, 792.13/5-1558.

³ See Department of State *Bulletin*, June 2, 1958, p. 912.

VOA morning broadcast. According UP Sarit told press President “most sympathetic” with Thailand’s problems.

Herter

475. Memorandum From the Director of the Office of Southeast Asian Affairs (Kocher) to the Assistant Secretary of State for Far Eastern Affairs (Robertson)¹

Washington, May 7, 1958.

SUBJECT

Sarit Visit (For Possible Use at Secretary’s Staff Meeting)

Field Marshal Sarit Thanarat, Supreme Commander of the Thai Armed Forces, who is Thailand’s chief leader in fact but not in title, has returned from Florida where he was convalescing from a successful operation performed at Walter Reed Army Hospital. He has been authorized by the Thai Government to confer with U.S. officials on means of strengthening Thai-U.S. cooperation, particularly in the economic and military fields. He made a well publicized courtesy call on the President on May 7 and will see the Secretary on May 14. Thereafter we plan that Sarit should see you, Mr. Dillon, Mr. George V. Allen of USIA, and we expect that he will arrange to see Mr. Allen Dulles and high Defense Department officials.

On the basis of Sarit’s statements at the White House and other indications we believe he will emphasize Thailand’s continued close association with SEATO and opposition to Communism, and ask for additional economic aid, especially for northeast Thailand, and also for more military assistance, particularly budgetary support for the Thai Armed Forces. Aside from the question of whether it is desirable to identify U.S. aid programs with an individual leader, there is no apparent source of funds for a generous gesture toward Sarit in terms of additional U.S. aid which might properly be extended to Thailand. The only gesture now planned by the Department is the announcement of a decision to furnish Thailand cobalt teletherapy equipment requested some time ago for treatment of cancer. At the same time, Defense is considering whether any of the military requests Sarit is likely to make will be considered favorably.

¹ Source: Department of State, Central Files, 792.5811/5-758. Confidential.

Because of much publicity in the Bangkok press regarding Sarit's alleged intention of asking for more aid to help Thailand out of its present budgetary difficulties, his reputation is involved in this matter to a considerable extent. It will be necessary to handle him most tactfully if his trip—so far successful in terms of his personal health—is not to lay the foundation for doubts and criticism regarding the U.S. which his leftist confidants undoubtedly wish to promote.

476. Memorandum of a Conversation, Department of State, Washington, May 14, 1958¹

SUBJECT

United States Policies Toward Thailand and the Far East

PARTICIPANTS

The Honorable the Secretary of State
Field Marshal Sarit Thanarat, Supreme Commander of the Armed Forces of Thailand
His Excellency Thanat Khoman, Ambassador of Thailand
Mr. Walter S. Robertson, Assistant Secretary of State for Far Eastern Affairs
Mr. Eric Kocher, Director, Office of Southeast Asian Affairs
Mr. Rolland H. Bushner, Officer-in-Charge, Thai Affairs

After acknowledging the Secretary's expression of pleasure at the restoration of Sarit's health, Sarit affirmed that Thailand would always be a friend of the United States. In accepting this assurance, the Secretary welcomed this opportunity for talks. He added that Assistant Secretary Robertson and Deputy Under Secretary Dillon will study the three memoranda which Sarit had presented on behalf of the Thai Government regarding countersubversion, and United States economic and military aid programs to Thailand.²

Mentioning the limited funds Congress provides for programs to fight Communism abroad,³ the Secretary indicated a likelihood that appropriations for this purpose would be considerably less than requested this year. He stated that we ration these funds on the basis of the best judgments we can make in the light of the world situation. In

¹ Source: Department of State, Central Files, 611.92/5-1458. Confidential. Drafted by Bushner on May 17.

² Copies of the memoranda on countersubversion and economic aid are in the briefing materials for the Sarit talks; *ibid.*, 792.5-MSP/5-1358; the text of the Thai memorandum on military aid is in telegram 031115Z from the Chief of JUSMAG in Thailand to the Secretary of State; *ibid.*, 792.5-MSP/5-358.

³ See footnote 3, Document 490.

this connection he explained that the United States gives substantial aid to India and some other neutrals because their loss to the Communists would be disaster for the United States and its allies including Thailand. We think the failure of the neutral nations to join in collective defense measures and to alert their peoples to the Communist threat is wrong, but it is important that we try to preserve their independence. Assistant Secretary Robertson noted that on a per capita basis, economic aid to Thailand, exclusive of more than \$225 million military assistance, has amounted to over six times that given India.

The Secretary indicated that the purpose of his remarks was to make United States policy clear, not to pre-judge Field Marshal Sarit's memoranda which will receive thorough consideration. He also recognized that the Chinese Communists constitute a real problem for Thailand. He took the occasion to state that he can see no prospect of a change in United States policy of opposing the recognition of Communist China or its seating in the United Nations. He commented that the President, when asked recently what the United States would do if the Chinese Communists were seated in the United Nations, remarked that first, the United Nations would be asked to leave the United States; and second, the United States would leave the United Nations.

Acknowledging the difficulties of the United States Government in obtaining sufficient appropriations, Field Marshal Sarit stated that it is his duty to emphasize the urgent problem arising from external and internal Communist pressures on Thailand. He stated that while the Thai Government and a majority of the Thai people appreciate United States aid, perhaps some criticism may arise because aid is not applied where it would benefit the people most. He indicated that he feels some readjustment in the programs is needed. He stated that United States aid would assist the stability not only of Thailand but of the whole region.

Recognizing Thailand's important role in military strategy for the area, the Secretary referred to the importance of maintaining a strong military shield in Asia and mentioned mobile United States forces in the Far East. He observed that, while the military situation is much better than it was eight or ten years ago, at present the greatest danger is infiltration, such as has taken place to some extent in Laos and Indonesia. He expressed the hope that we can now persuade Lao leaders, who had underestimated the Communist danger and disregarded our warnings, to take a stronger position than before. He stated that, except in case of open military aggression, Communist pressures must be stopped by the vigilance of local governments and the dedication of their peoples to freedom.

The Secretary said that the Communists have their own troubles and noted unrest and distress in Communist China. Through control of all information media they give the outside world an impression of solidarity which is largely illusory.

Sarit asserted that most Thai, and especially the Thai Government, are fully aware of Communist dangers, and added that he was asked to make this clear to United States leaders. He stated that, while there are some leftist parties in Thailand which are attempting to undermine stability and Thailand's close friendship with the Free World, he will not, so long as he has responsibility, allow the Communists to overrun his country.

The conversation concluded with the Secretary's expression of gratification regarding these remarks.

477. Telegram From the Department of State to the Embassy in Thailand¹

Washington, May 17, 1958—4:06 p.m.

2854. Robertson saw Sarit one hour and half May 16. Ambassador, Sarit's aide, Palmer, Kocher present.

In discussing Thai political situation Sarit mentioned two groups which undermine Thai stability: Thai who have taken refuge outside country (including Pridi) and persons of alien origin in Thailand. First group's followers in Thailand show by attacks on Government especially its foreign policy that they Communist mouthpieces. Second group said to include three to four million Chinese "quite a few owing allegiance to Peiping." (In connection difficulty preventing infiltration aliens across long Thai river border, Sarit thinks proposed census would help maintain controls.) He asserted Thai people have no alternative but to look either toward free world or to Communists.

Robertson pointed out question not one favoring free world but of protecting Thai people's independence, citing examples of Communist deeds as compared to promises. In response to Robertson query re efforts Government make clear to people what would happen to them under Communist control, Sarit said Government tries its best with

¹ Source: Department of State, Central Files, 792.551/5-1759. Confidential. Drafted by Bushner, cleared by Kocher, and initialed by Robertson. Repeated to CINCPAC for POLAD.

limited means to explain. He believes dissemination detailed information to public re Communists may backfire and mentioned that some Thai allege Government suspicious of people.

Expressing concern re line taken by Thai press Robertson quoted from *Sarn Seri* and *Thai Raiwan*. (Embtel 3099)² Said he understood how Thai might be led astray by repeated assertions of prominent Thai newspapers, which not countered, alleging purpose US aid is exploitation Thai. Relating this comment to Sarit memorandum re countersubversion he pointed out this tends vitiate purpose US aid programs as well as Sarit's own intention counter subversion in Thailand.

Sarit indicated he expected question these newspapers to arise because many people erroneously believe he controls mentioned newspapers. He asserted they are self-supporting and independent of his control. In general his explanation was that newspapers in undeveloped country attempt create sensation in order maximize circulation, and follow inconsistent editorial policy. Responding to query from Robertson he said newspapers sell better if they blast Government and its allies than if criticize Communists. He claims he and colleagues deplore situation and will do all short of force to curb press or persuade it adopt more sensible attitude. Referring to need to counter falsehoods and distortions in news media, Robertson pointed out that even in developed countries responsible leaders take every means of getting facts before people.

Sarit agreed with alacrity to proposed ceremony for cobalt equipment. Details of presentation to be arranged later. Ambassador emphasized need for explaining to Thai people medical benefits arising from equipment.

Robertson praised Thai stand in Korea and SEATO which widely known in US and thanked Sarit for suggestions. Added frank exchange of views was only way achieve results. Sarit said if US trusts him he will act sincerely and give best advice possible promote closer friendship between Thai and American people.

In closing Robertson stressed Communists' talk re peaceful coexistence means no change their objectives. They hope to disarm free world so that they can take over. He re-emphasized importance of preventing Communists from doing by subversion what they are unable to do by force.

Dulles

² See footnote 4, Document 472.

478. Memorandum of a Conversation, Department of State, Washington, May 21, 1958¹

SUBJECT

Private Investment in Thailand

PARTICIPANTS

Ambassador Thanat Khoman, Embassy of Thailand
General Chittimavisthira, Deputy Minister of Economic Affairs
Mr. Prayoon, Director General, Department of Domestic Trade, Ministry of Economic Affairs
Mr. Gardner Palmer, Deputy Assistant Secretary of Economic Affairs
Mr. Floyd Whittington, Deputy Director, Southeast Asian Affairs
ED—Mr. Schmukler, International Economist
ICA—Mr. Stoneman, Thai Desk Officer
SEA/E—Mr. Wile, International Economist

As agreed between Mr. Dillon and Field Marshal Sarit at their May 19 meeting,² Ambassador Thanat Khoman, accompanied by General Chittimavisthira and Mr. Prayoon, appeared at Mr. Palmer's office at 3 p.m., to discuss foreign private investment in Thailand and Field Marshal Sarit's memorandum on Development Projects in Thailand presented to Assistant Secretary Robertson on May 12.³ Ambassador Thanat suggested that the meeting start with a discussion on foreign private investment. He stated that the Thai Government welcomes investment, especially from the United States, and the Thai Government has made a number of declarations regarding this. Ambassador Thanat amplified upon this indicating that the Thai Government does not wish to engage in businesses where private investment should operate, but had to invest and operate businesses where private capital was not available. The Thai Government policy is, however, to withdraw when private enterprise shows that it is able to take over. Ambassador Thanat revealed that this policy was declared over two months ago and that to implement this policy the Industrial Promotion Act was under current revision at the request of Field Marshal Sarit.

Mr. Palmer noted with satisfaction Field Marshal Sarit's awareness of the problems of private investment in Thailand, particularly the deficiencies of the Industrial Promotion Act. He suggested that private enterprise be encouraged in those businesses where there is a profit motive and that the Thai Government might concentrate on

¹ Source: Department of State, Central Files, 811.05192/5-2158. Confidential. Drafted by Frank S. Wile on May 23.

² A memorandum of conversation on this meeting is *ibid.*, 892.00/5-2358; the substance of the discussion is summarized *infra*.

³ Filed with the briefing materials for the Sarit talks; *ibid.*, 792.5-MSP/5-1358.

providing the infra-structure. He noted the substantial growth of the gross national product which would come about with the encouragement of private investment in Thailand. He pointed out that the Thai were fortunate in having a large supply of trained civil servants and abundant natural resources which, together with the growing physical and power facilities, made Thailand an attractive area to private investors. At this point he handed Ambassador Thanat an informal talking paper, prepared by SEA and ICA, which listed the obstacles we saw to private investment in Thailand.⁴ Mr. Palmer asked Mr. Whittington to read the paper aloud for the benefit of General Chitti and Mr. Prayoon to help them understand the document.

Ambassador Thanat referred to the inclusion of the "participation of government officials in business" as a deterrent to private investment, pointing out in confidence that the Thai feel this is the only way they can participate in business in view of the domination of the mercantile trade by the Chinese in Thailand. Mr. Palmer agreed to the deletion. Ambassador Thanat also referred to the inclusion of "competition of government-owned plants" as a deterrent to private investment, stating that Thai Government-owned factories cannot be considered in the same sense as in the United States and that they offer no real competition to foreign private enterprise. Mr. Palmer explained that this item was included as a deterrent in its general context; that the mere fact that government is in a business, regardless of the size of the plant, acts as a barrier to private investment entering the same or a similar operation. Mr. Palmer said that it would be desirable for the Thai Government to clarify the extent to which it intends to operate factories and if possible to delimit its sphere of activities. This would enable investors to know with some confidence what they could expect to invest in without fear of competition from the Thai Government. General Chitti reiterated that the Thai Government would continue to operate factories only until private enterprise was able to take over these enterprises and would then withdraw. Mr. Palmer stressed the soundness of this policy and Mr. Whittington stressed the desirability of Thai Government factories pricing the output at market prices and without subsidies. Mr. Stoneman suggested the possibility of the Thai Government offering to sell one or more of its plants as a dramatic gesture to demonstrate its intention to withdraw from the field. Also, he noted the desirable impact such a gesture would have on the private investment community in Thailand. General Chitti reiterated that it was the Thai Government policy to withdraw from the ownership and management of factories at the earliest appropriate time.

⁴ A copy of the paper is *ibid.*, 792.5–MSP/5–1358.

Ambassador Thanat provided background information on Foremost Dairy Company indicating that it imported equipment into Thailand before the Industrial Promotion Act came into force and therefore was liable for those import duties in existence before the Industrial Promotion Act exemptions became effective. Legal difficulties ensued as a result of the Foremost claim for exemption under the Industrial Promotion Act. With a view to arriving at a settlement of this "thorny" issue, the Thai Government is making arrangements for a special exception to refund taxes paid by Foremost under laws in existence before the Industrial Promotion Act. Ambassador Thanat stated that this particular case was a legacy from the former Thai Government. General Chitti observed that there were more cases than Foremost Dairy Company affected by the implementation of the Industrial Promotion Act.

Ambassador Thanat suggested the possibility of the creation of joint enterprises in which the government and foreign private enterprise would enter on a 50-50 basis. He was informed that this could be a possible alternative to 100 per cent Thai Government ownership of factories.

At the conclusion of the reading of the talking paper, Mr. Palmer called attention to its informal, non-technical nature and invited additional comment from the Thai. Ambassador Thanat remarked that it was generally a good paper, but suggested certain changes which were agreed to. He expressed a desire for a representative selection of investment laws of other countries or of the various American States. It was agreed to obtain copies of representative investment laws for Mr. Prayoon.

With regard to the statement in the talking paper about difficulties encountered by United States oil companies, Mr. Palmer requested verification from the Thai as to the correctness of the statement. General Chitti replied that, prior to the recent tax imbroglio, retail sales of gasoline in Thailand were made in accordance with an agreement reached in 1957 between the Thai Government and the oil companies. The abortive tax increase of several months ago resulted in a two or three day sale of gasoline by the Thai Government to taxi drivers at prices below those of foreign oil companies. He stated that currently the Thai Government was not underpricing private oil companies in the sale of gasoline. Ambassador Thanat, because of the controversial nature of this problem, suggested its deletion from the talking paper. Mr. Palmer suggested that the language be revised to show merely that there were difficulties encountered by the United States oil companies, which suggestion was agreed to by the Thai.

Ambassador Thanat asked whether any reforms made by the Thai Government with a view to improving the investment climate would bring results. Mr. Palmer pointed out the capriciousness of foreign

investment, that there could not be a categorical answer to the Ambassador's question. He did state, however, that with an improved investment climate Thailand would be one of the most attractive countries in Southeast Asia, and for that matter the Far East, for new foreign private investment. Ambassador Thanat expressed the desire that increased publicity be accorded measures taken by the Thai Government to improve the private investment climate so as to maximize the possibilities of attracting private investment from the United States. Mr. Palmer replied that every possible assistance would be accorded the Thai Government in this connection pointing out to the Ambassador, however, that favorable publicity would only come when positive steps were taken in Thailand to improve the investment climate.

479. Memorandum From the Director of the Office of Southeast Asian Affairs (Kocher) to the Assistant Secretary of State for Far Eastern Affairs (Robertson)¹

Washington, May 26, 1958.

SUBJECT

Thai Request for Increased Grant Aid

Discussion:

The Thai Ambassador, Thanat Khoman, will call on you on Tuesday, May 27, at 3 p.m.² in order to discuss additional grant aid to Thailand in connection with Field Marshal Sarit's memorandum "Development Projects in Thailand",³ a copy of which was handed to you on May 12 (Tab A).⁴ Following his call on you on May 16,⁵ Field Marshal Sarit met with Mr. Dillon on May 19⁶ to discuss the projects in his memorandum. A follow-up discussion took place on May 21

¹ Source: Department of State, Central Files, 792.5–MSP/5–2658. Secret. Sent through Gardner Palmer.

² See *infra*.

³ See footnote 3, *supra*.

⁴ None of the tabs was found attached to the source text.

⁵ See Document 477.

⁶ See footnote 2, *supra*.

between Ambassador Thanat and Mr. Palmer.⁷ In addition, Ambassador Thanat spoke with Mr. Whittington on May 22.⁸

As you know, the Thai have been repeatedly informed that we are not in a position to make commitments at this time for increased aid. However, Ambassador Thanat in his meeting with you is expected to press for increased grant aid to Thailand in the form of an "agreement in principle" to projects listed in the May 12 memorandum for the development of Northeast Thailand. We surmise his pitch will be political based on weaknesses in neighboring Laos.

In the May 19 talk (Tabs B and C) Mr. Dillon informed Field Marshal Sarit that United States economic aid to Thailand since 1951 amounted to \$163.8 million of which approximately \$50 million is accounted for by the Northeastern area. Mr. Dillon also informed the Field Marshal that it is unlikely appropriations for FY 1959 will permit an increase in aid levels. Mr. Dillon referred to the Development Loan Fund as a possible source for the financing of suitable projects and observed that the present defense support aid program (\$20 million), plus that which might come from the Development Loan Fund and/or Ex-Im Bank, would approximate the level of assistance which Thailand received two or three years ago. In response to the Field Marshal's request for an "understanding in principle" regarding the proposed projects, Mr. Dillon reiterated that the United States is not in a position to make any plans for which the Congress has not provided funds. He suggested, however, that since the projects could be funded over a period of several years it might be possible to finance some of them within the framework of the present aid program to Thailand. He stated that the United States intended to continue the defense support program in Thailand on the same scale as this year.

Throughout the talk with Mr. Palmer (Tabs D and E), Ambassador Thanat again pressed for an "agreement in principle" on the projects listed in Field Marshal Sarit's memorandum. Each time the Ambassador was referred to what Mr. Dillon had informed Field Marshal Sarit, that it is unlikely we can provide larger defense support aid than is now being given; if, however, the projects could be funded over several years, it is possible that some of them can be worked out within the framework of the present defense support program. It was repeatedly stated, within the context of Mr. Dillon's remarks, that these projects should be discussed with the USOM-Bangkok in order to establish their priorities in relation to the present aid program.

⁷ See *supra*.

⁸ Presumably reference is to the telephone conversation summarized in the last paragraph of this memorandum, preceding the recommendation; no record of a meeting has been found.

On May 22 Ambassador Thanat spoke on the telephone with Mr. Whittington (Tab F). The Ambassador asked if the talks on the development projects were considered as having come to an end, and whether the position taken by Mr. Palmer on May 21 with regard to the projects was the final United States position. He was informed that Mr. Palmer's position followed that taken by Mr. Dillon in his talk with Field Marshal Sarit. The Ambassador said it would be a sad and unhappy report for him to make to his government that the United States had turned down all of the projects listed in Field Marshal Sarit's memorandum.

Recommendation:

That you inform Ambassador Thanat

(1) that it is unlikely that increased grant aid can be extended to Thailand in FY 1959;

(2) that we are unable to agree in principle to the commitment of funds which have not been appropriated by or requested of the Congress;

(3) that the Thai Government explore with the USOM–Bangkok the possibility of financing some of the projects within the framework of the present program.

(4) that Thailand consider the DLF and the Export-Import Bank of the U.S. as possible means of financing projects for which funds are not now adequate from defense support appropriations nor readily available from domestic or private sources of capital.

480. Memorandum of a Conversation, Department of State, Washington, May 27, 1958, 3 p.m.¹

SUBJECT

Economic Aid to Thailand

PARTICIPANTS

Ambassador Thanat Khoman, Embassy of Thailand

FE—Walter S. Robertson, Assistant Secretary for Far Eastern Affairs

FE—Gardner E. Palmer, Deputy Assistant Secretary for Economic Affairs

SEA/E—Frank S. Wile

¹ Source: Department of State, Central Files, 792.5–MSP/5–2758. Confidential. Drafted by Wile.

On May 27, 1958, at 3:00 p.m. Ambassador Thanat Khoman called upon Assistant Secretary Robertson to discuss Field Marshal Sarit's memorandum of May 12, "Development Projects in Thailand".² The Ambassador stated that he had requested this appointment with Mr. Robertson in order to clarify why additional assistance was requested at this time. The Ambassador stressed the importance which the Thai Government attaches to its request for additional aid to Northeast Thailand, noting that the justification is more political than economic. He stated that Communist elements in surrounding countries of Southeast Asia, notably, Laos, South Viet-Nam, and Indonesia, are exerting strong pressures on Thailand. He said that the situation in Laos is not too different from that in Northeast Thailand in that the latter is exposed to Communist propaganda at a time when adverse economic conditions make it a fertile ground for Communist subversion. He stated that those members of the Thai Parliament most receptive to Communist propaganda are from the Northeast region. These "special circumstances" force the Thai to request that "greater efforts" be made in the Northeast and it is for this reason that Field Marshal Sarit was authorized by the Thai Government to negotiate in Washington for increased grant aid. The Ambassador repeatedly stated that the main purpose of the Sarit mission is to secure "agreement in principle" from the United States on the proposed projects which will then be submitted to the USOM and TTEC for technical study. The Ambassador termed the projects "rather modest" in scope and noted that some of them could be funded over a period of time.

Mr. Robertson thanked the Ambassador for his frank presentation. He pointed out that total aid to Thailand since 1951 has been in the neighborhood of \$388 million, a not insignificant sum. He emphasized that United States Government departments are dependent upon Congressional appropriations and can allocate only what has been appropriated. Mr. Robertson then mentioned the global responsibilities of the United States and called attention to the fact that the needs of the world far surpass the ability of the United States to respond to them. He assured the Ambassador that there is no ally in Asia whose friendship the United States values more than that of Thailand; however, as Mr. Dillon told Field Marshal Sarit, we cannot commit funds we do not have and we won't know how much we will have until the Congress has acted. Mr. Robertson said it is important that the Thai understand, in this connection, that one Congress cannot commit funds to be provided by another Congress. It is also important that the Thai understand the limitations which govern the granting of United States assistance and that, however important the need, we cannot allocate funds which have not yet been appropriated. He assured the

² Filed with the briefing materials for the Sarit talks; *ibid.*, 792.5-MSP/5-1358.

Ambassador that every effort is being made to have the FY 1959 MSP bill passed in its entirety but observed that, with the recession and the budgetary deficits which are likely to develop, the historical pattern of cuts in appropriations would probably continue.

Mr. Robertson referred to possible loan sources of financing, notably the IBRD, the Ex-Im Bank and the DLF, and suggested that the Thai review their projects to ascertain which of them might be suitable for loan financing by one or another of these agencies. He pointed to the competition which exists for DLF funds and cautioned that priorities would have to be assigned to projects submitted to that agency for financing.

The Ambassador again referred to the "special circumstances" in Northeast Thailand and throughout the balance of the meeting suggested that the Department could fund the proposed projects by allocating more to Thailand from total MSP appropriations. Each time, Mr. Robertson attempted to make clear to the Ambassador that this procedure would mean taking away funds earmarked for other countries, which we could not do. In this connection, Mr. Robertson tried to make clear to the Ambassador the Department's role in allocating funds, following Congressional appropriations, and pointed out that this allocation is done equitably and, as far as possible, in proportion to whatever cuts are made by the Congress.

Mr. Robertson stressed the desirability of submitting the proposed projects to the USOM, and suggested that some of them might be fitted into the present aid program through a shift in priorities. The Ambassador replied that the Thai Government wished to submit these particular projects to the highest level in the United States Government. He stated that some of the projects had in fact been submitted to the USOM and that all had been submitted to Ambassador Johnson who, he said, had promised to support them since their urgency had been established. Mr. Robertson suggested that the Ambassador was misinformed about Ambassador Johnson's views since nothing we had seen indicated Ambassador Johnson's approval of the projects.

The Ambassador feared that he had not made clear to Mr. Robertson his government's position, explaining once again that what is wanted is "agreement in principle" to the proposed projects to meet the urgent situation in the Northeastern region. He also stated that, even though aid were to be cut off from Thailand, her friendship with the United States would endure. Mr. Robertson assured the Ambassador that we have no intention of cutting off aid to Thailand and once again expressed the hope that he had made it clear why the United States cannot provide larger grant aid to Thailand at this time.

Mr. Palmer said that the USOM understands the importance which the Thai Government attaches to the Northeastern area and in his opinion would give sympathetic consideration to any projects which the Thai might wish to include within the framework of the present program.

In concluding, Mr. Robertson stated that we do not question the need for the proposed projects but that, following Congressional appropriation, the Department must allocate available funds on an equitable basis. Mr. Palmer added that the history of the Mutual Security Program, with large cuts being made each year, has been such that the Department has had progressively less flexibility in the allocation of funds.

Ambassador Thanat Khoman departed Mr. Robertson's office at 4:15 p.m.

481. Letter From the Assistant Secretary of State for Far Eastern Affairs (Robertson) to the Ambassador in Thailand (Johnson)¹

Washington, May 28, 1958.

DEAR ALEX: The Sarit visit is now drawing to a close, and during the past weeks I have had a number of contacts both with the Field Marshal and the Thai Ambassador, Thanat Khoman.

You may be interested in the following impressions I received from these conversations which are not covered in our telegrams:

1. I am disturbed by the continued inability or unwillingness of the Thai to comprehend our cautions on aid, and their inflation, purposely or otherwise, of our words of friendship for Thailand. I think the Thai Ambassador [*less than 1 line of source text not declassified*] may have had the impression that the Sarit visit could be used as a mechanism for obtaining additional U.S. aid, and that his prestige has unfortunately become associated with success in achieving this end. Now that additional aid is not being obtained, the Thai Ambassador feels somewhat bitter. I am not sure how Sarit feels in this respect, but my impression is that he is less emotionally involved in these talks, the recovery of his health taking precedence over other considerations. All I can say is that I was glad to get your expressions of concern on this

¹ Source: Department of State, Central Files, 792.551/5-2858. Secret. Drafted by Bushner and Kocher and approved by Palmer and Parsons.

subject and we are doing everything possible to emphasize the realism of the situation to the Thai as well as disabuse them of incorrect impressions and conclusions they may have drawn from any of the Washington talks.

2. The Field Marshal maintained an impassive appearance during the talks. From his prompt reaction to some remarks, however, we assume that he comprehended more than we had expected. While he nearly always spoke in Thai, he frequently indicated that it was unnecessary for Ambassador Thanat to translate from the English. He was articulate and expressive when outlining Thai needs and discussing the Thai political situation.

3. He seemed to desire to discuss principles only, and left the talks on private investment (as well as specific economic projects) to a meeting between two of his assistants and the Ambassador on the one hand and Gardner Palmer and ICA representatives on the other.

4. In discussing the Thai political situation with the Secretary, Sarit dwelt at length on the activities of Thep Chotenuchit² and his receipt of substantial aid from outside Thailand through the sale of imported goods. As evidence that Thep and his group are not free agents, he mentioned their attacks on "Thai policies which are favorable to foreigners." He added that Thep and his group may be cooperating with Thai political refugees in Communist China such as Pridi.

5. He discussed the Chinese minority in Thailand in terms of the relative strength of Communist China in Asia. He stated that young Chinese are taken from Thailand to Kunming for training and indoctrination. In speaking of minorities he recommended repatriation of Vietnamese who entered the country after World War II.

6. He named the *Siam Nikorn*, *Khao Phap*, *Prachatipatai*, and *Seri Prachatipatai* as newspapers which he said were even worse than *Sarn Seri* or *Thai Raiwan*. However, the only anti-Communist newspapers he could name were *Siamrat* and *Daily Mail (sic)*³ which he described as first taking one side and then another. These comments suggest that he may not know what line various newspapers take.

7. While on the subject of the Thai press, the Ambassador interpolated his view that the whole difficulty in Thailand began with a series of items in the New York press several years ago blasting Thailand on every occasion. He mentioned an item in the *Christian Science Monitor* in 1951 which allegedly asserted that it was "contemptible for such a contemptible country as Thailand to offer troops for service in Korea". He observed that these items are printed in Thailand and asked why the Thai must endure continued U.S. press attacks.

² A Thai opposition political leader.

³ As on the source text.

8. In discussing the difficulty of informing the Thai people of realities by statements to the press, Sarit said that he is consulting with the government regarding a possible revision of the press law to permit the development of a better press in Thailand. He also made several suggestions about U.S. information programs, proposing that whenever an aid project is established the U.S. should "gain the people's confidence" by explaining that "this year a road (for example) will be built so many miles, and next year so many miles". He recommended that the U.S. put up near U.S. aided highway projects a map or chart providing similar information. As an example of inadequate attention to publicity, he stated that once, while inspecting a hospital, he asked the technician in charge regarding the source of a row of microscopes in the laboratory and found that he did not know that these microscopes had been presented by USOM.

I hope these additional details may be of some help in interpreting the memoranda of conversation we have provided you.

On our part we would welcome some indication of the political reaction in Thailand to the results of Sarit's talks. We wonder if he will suffer a loss of prestige in the absence of any dramatic outcome, and if this would affect the nature or direction of his foreign policy views.

All the best to you and Pat.

Sincerely yours,

Walter S. Robertson ⁴

⁴ Printed from a copy that bears this typed signature.

**482. Memorandum of a Conversation, Department of State,
Washington, May 29, 1958, 4:30 p.m.¹**

SUBJECT

Economic Aid to Thailand

PARTICIPANTS

Ambassador Thanat Khoman, Embassy of Thailand
FE—Walter S. Robertson, Assistant Secretary for Far Eastern Affairs
FE—Gardner E. Palmer, Deputy Assistant Secretary for Economic Affairs
SEA—Eric Kocher, Director, Southeast Asian Affairs
SEA/E—Frank S. Wile

¹ Source: Department of State, Central Files, 792.5-MSP/5-2758. Confidential. Drafted by Wile and initialed by Robertson.

Ambassador Thanat Khoman called upon Assistant Secretary Robertson, at the latter's request, on May 29, 1958, at 4:30 p.m. Mr. Robertson had asked the Ambassador to come in so that he could clear up any misunderstanding which might have arisen at their earlier meeting on May 27, 1958.²

Mr. Robertson opened the discussion by stating that it would be natural for the Thai to assume that, because the United States was able late in 1954 to grant \$25 million to Field Marshal Sarit and \$28.2 million to General Phao, the current Thai request for increased grant aid could be similarly accommodated. He explained that the Sarit and Phao grants were funded under a \$700 million appropriation in FY 1955 for the support of the Armed Forces of nations in Southeast Asia in connection with the Indochina War. Mr. Robertson then pointed out that these funds no longer exist, and that all other reserves are exhausted.

In connection with his explanation made to the Ambassador at the earlier meeting (May 27) regarding the difference between requested and appropriated funds, Mr. Robertson reviewed the history of MSP global appropriations from FY 1955 through FY 1958 and pointed out that Congressional cuts during this period had amounted to over \$3.5 billion. He emphasized how important it is that Field Marshal Sarit understand the limitations imposed on the Mutual Security Program and assured the Ambassador that the United States would study the list of projects to determine which of them might be fitted into the present program. Mr. Robertson also assured the Ambassador that the United States is not insensitive to the needs of the Thai, that we have a great admiration for Thailand and that we place a high value on her friendship.

Ambassador Thanat Khoman thanked Mr. Robertson for his explanation and observed that the Sarit and Phao grants had not been considered in the current request for an increase in grant aid. The Ambassador believed that there might be a misunderstanding on Mr. Robertson's part about Field Marshal Sarit's memorandum.³ The Thai did not expect the United States to grant the full amount requested; rather, Thailand hoped to implement some of the projects through loans and others by means of substitutions in the present aid program. He said that Field Marshal Sarit attaches particular importance to the first three projects (Korat-Ubol highway construction, tank irrigation and highway rehabilitation) and hopes the United States can provide

² See Document 480.

³ Filed with the briefing materials for the Sarit talks in Department of State, Central Files, 792.5-MSP/5-1358.

assistance for these projects. Such a "gesture", according to the Ambassador, by indicating a willingness to help Thailand, would enhance the prestige of the present Thai Government.

Mr. Robertson thanked the Ambassador for his call and reiterated that it is important that each government understand the problems of the other. He concluded by expressing his regret that Field Marshal Sarit's health would not permit him to attend a luncheon in his honor which had been scheduled for June 3.

483. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, May 31, 1958—6 p.m.

3330. Course of Sarit negotiations in Washington as reported by Department and by inspired stories in Thai press cause me concern if on conclusion conversations we appear to have turned Sarit away entirely empty-handed. As Department aware, Sarit's reports to TG have painted highly optimistic picture of probable success his mission. He has also been notably responsive to our representations on his newspapers as well as apparently receptive of foreign investment. While there has been no foundation for Sarit's optimistic reports they have engaged his public and private prestige to point where complete failure his efforts obtain some increases in US aid would have serious adverse effect on him personally and increase already shaky stability TG. Moreover, leftist elements here will be quick to exploit such failure and as stated Embtel 3056² will become more strident in demanding TG accept Soviet bloc aid. Recent wire service stories from Washington with apparent Department source, indicating additional aid unlikely, have caught Prime Minister at least by surprise. Thanom telling press this contrary assurances he has received from Sarit. Although as reported in Weeka 22,³ Prince Wan has made excellent statement on contemplation no increase in aid level his voice carries very little weight here.

¹ Source: Department of State, Central Files, 792.551/5-3158. Confidential.

² Document 469.

³ Reference is to telegram 3332 from Bangkok, June 1. (Department of State, Central Files, 792.00(W)/6-158) According to the telegram, Prince Wan's statement reportedly warned the Thai against undue expectations and expressed expectation of fair treatment by the United States.

As indicated Embtels 3056 and 3148,⁴ while I cannot conscientiously advocate continue or increase MAP, DS or TC aid on strictly economic or military grounds, particularly in light anticipated DLF approvals, nevertheless I feel it would be most unwise on political grounds permit Sarit talks end on completely negative note. I am fully aware difficulties facing Department in making any commitments involving substantial increase aid (which I not advocate) and also of desirability [omission in the source text] if no commitment whatever possible for any increased aid, in view probable political repercussions if Sarit appears to have been completely rebuffed by US, I urge that prior his departure some form joint press statement be issued which would give appearance modest success of talks. Among points which might be made are following:

1. Agreement re Communist threat and joint determination continue correct it through SEATO.

2. Continued US determination assist Thai increase its defensive strength, mentioning in broad terms additional equipment within limits appropriations planned for delivery under FY 58 and 59 MAP program.

3. US interest in economic welfare and development Thai people and determination continue assist them to maximum extent permitted by available funds and Thai technical capability to utilize. US intention also continue assistance to Northeast including water, agriculture, highways, communications, health and education, specific projects and priorities to be worked out in consultation between technical experts two countries. Mention of Mekong survey to determine possibilities major benefits to Northeast.

4. Indication favorable consideration being given approval DLF application Bangkok distribution, power and dredge. Dependent Congressional appropriation additional funds, willingness consider DLF application Bangkok water supply and thermal power plant when received. Indication favorable consideration AEDF financing regional telecommunications project.

5. US recommendation actions to be taken by TG to improve climate for foreign private investment.

I have no way of judging whether foregoing likely satisfy Sarit, who may feel he has to have something "extra". However, once convinced that whatever package offered is best he can expect, believe he and TG will warmly defend it and play it as diplomatic success for

⁴ Telegram 3148 from Bangkok, May 9, reported that JUSMAG had advised the Embassy that both the Thai army and air force exceeded JCS force goals and could be reduced in strength by 2,000-3,000 men. Further reorganization and reduction in Thai force strength were envisioned by JUSMAG for the purpose of achieving greater efficiency. (*Ibid.*, 792.5/5-958)

local consumption. In summary, I support Ambassador Thanat's plea we find it possible to provide "gesture" to Sarit (Deptel 2944).⁵

Johnson

⁵ In telegram 2944, May 29, the Department provided the Embassy in Bangkok with a report on the conversation between Thanat and Robertson on May 29 (see *supra*). (Department of State, Central Files, 792.5-MSP/5-2958)

Telegram 2963 to Bangkok, June 3, requested the Embassy's evaluation of the projects proposed in Sarit's May 12 memorandum. (*Ibid.*, 792.551/5-3158)

484. Editorial Note

On June 4, the Operations Coordinating Board approved an Operations Plan for Thailand which had been prepared pursuant to NSC 5809 (see Document 466). A copy of the plan is in Department of State, OCB Files: Lot 62 D 430, Thailand. On June 27, two copies were sent to Ambassador Johnson in Bangkok under cover of a letter from Under Secretary Herter instructing Johnson that the Plan was an action paper the implementation of which he should personally supervise. (*Ibid.*, Central Files, 611.92/6-2758)

The plan contained 79 numbered paragraphs detailing specific subjects, areas, or programs which were to be pursued or monitored in the interest of improving U.S.-Thai relations. General guidance was provided in the opening paragraphs of the plan which read as follows:

"a. *U.S. Objectives.* U.S. operations in Thailand should be conducted in the context of U.S. objectives which are: to prevent Thailand from passing into or becoming economically dependent upon the Communist bloc; to persuade the Thai that their best interests lie in greater cooperation and stronger affiliations with the rest of the Free World; and to assist them to develop toward stable, free, representative government with the will and ability to resist Communism from within and without, and thereby to contribute to the strengthening of the Free World.

"b. *U.S. Interests in Thailand.* As a staunch supporter of collective defense measures with a long-standing anti-Communist policy, Thailand serves as the hub of our security efforts in Southeast Asia. Development of a broader base for these efforts depends upon continued efforts to strengthen Thailand and its bonds with neighboring non-Communist nations. Thailand's substantial progress will bolster U.S. policy objectives throughout Southeast Asia."

485. Telegram From the Department of State to the Embassy in Thailand¹

Washington, June 5, 1958—8:40 p.m.

2982. Your 3345.² Sarit's calls on Secretary McElroy, Quarles and Twining were courtesy visits not involving discussion of substantive matters. In working level conference with Sarit's aides Defense stressed necessity of processing MAP proposals through JUSMAG and replied to Thai presentation of service requirements by statement along following lines:

1) favorable consideration will be given to any recommendations made by JUSMAG concerning Thai Army's desire for greater participation in its housing construction program;

2) delivery of the DE we are proposing to loan Thai Navy will be of assistance in enabling them to scrap obsolete vessels. Congressional action required for this with Defense actively pushing matter and hopeful of favorable outcome;

3) US planning to assist in modernizing Thai Air Force by providing jet aircraft on initial basis of one squadron, to be followed by additional squadrons as training and other facilities become available.

Memo of conversation being pouched.³

Dulles

¹ Source: Department of State, Central Files, 792.551/6-458. Confidential. Drafted by Anthony C. Swezey of SEA, cleared with the Department of Defense, and approved by Parsons.

² Telegram 3345, June 4, requested information concerning reports reaching the Embassy in Bangkok that Sarit's party was approaching the Department of Defense and other agencies with requests for military aid. (*Ibid.*, 792.551/6-458)

³ A memorandum prepared in the Department of Defense, June 5, reporting on General Erskine's latest talk with Sarit and the latter's disappointment at not being able to obtain additional fiscal year 1958 assistance is *ibid.*, 792.5811/6-1158.

486. Letter From the Ambassador in Thailand (Johnson) to the Director of the Office of Southeast Asian Affairs (Kocher)¹

*Bangkok, June 5, 1958.*²

DEAR ERIC: I regret the delay in replying to your letter of April 21³ asking me to comment on the internal security program in Thailand, and referring in particular to Ambassador Bishop's letter of December 12, 1957,⁴ on this subject. However, it is a subject of such fundamental importance that I wanted fully to discuss it with all those concerned in the Embassy, as well as carefully to formulate my own thinking on the subject.

With some updating, which is done in the enclosed paper,⁵ I generally agree with the Status Report enclosed with Ambassador Bishop's letter of December 12, except for the important and fundamental paragraph D 5 on Page 7 to which Max's letter also largely addresses itself.⁶

I entirely agree that the Thai Armed Forces, as set forth in the paragraph, are not prepared to handle paramilitary activity on the scale and model that has been witnessed in Vietnam, Laos, Burma and Malaya. However, I question whether that is the type problem it is now realistic to envisage in Thailand. In each of those countries, the genesis of those movements were bodies of men who had been trained and armed during and after World War II, and who were originally motivated by the desire to expel the foreigner within their borders. The Communists succeeded in capturing the movements and turning them to their own purposes. The point is that even in those countries thousands of armed and trained guerrillas led by Communists simply did not appear overnight to confront the forces of law and order.

While there may well remain in Thailand some small caches of usable arms from the Free Thai movement, there is no reason to believe the amount is large, or that any considerable group of men

¹ Source: Department of State, Central Files, 792.5/6-558. Top Secret; Official-Informal.

² A handwritten note on the source text reads: "Undated. Apparently sent June 5, 1958." Another note states that a reply was sent on December 5, 1958, but no such letter has been found in Department of State files.

³ Not found in Department of State files.

⁴ Dated December 13; see *Foreign Relations, 1955-1957*, vol. xxii, pp. 944-946.

⁵ Not printed. The enclosure was an update of the Status Report on the Internal Security Situation in Thailand, initialed by Johnson and dated June 1958.

⁶ This paragraph concerns the ability of the regular Thai armed forces to back up the civil police, the Gendarmérie Patrol Force, and the Elite Guard. The paragraph noted that training and reorganization carried out under the Military Assistance Program were increasing their capabilities.

could be quickly armed and trained from resources within the country other than those of the armed forces and police. There is certainly not now within Thailand any group comparable to the nucleus out of which the movements in Vietnam, Laos, Malaya and Burma grew.

An additional important factor is the difference in terrain. The Northeast is usually considered the area in which a dissident movement is most likely, both by reason of its economic and political situation and proximity to Laos. In contrast to other areas where guerrilla operations have been most successful, the Northeast is for the most part a flat and relatively open plain with only a few small areas offering any considerable concealment or unobservable lines of movement.

While thus deprecating the possibility of the development of insurgent paramilitary activity in the pattern and on the relative scope of Vietnam, etc., I do not desire to give the impression that I feel there is no possibility whatever of some type of such activity. My point is simply that unless there is a complete collapse of Thai government machinery, it is not reasonable to presume that it can or would develop on the scale of that in Vietnam, Malaya, or even the Huks in the Philippines. In any event, it would take considerable time to develop.

What are the realistic possibilities? There is first the presently Communist dominated group of Vietnamese refugees scattered through the Northeast border area numbering some 50,000. I have no information upon which to base an estimate of what portion of that number could be considered guerrilla material. However, it well could number several thousand. Even though the Communist cadres among them are now able to obtain immunity for their present activities by various forms of bribery of local Thai officials, it is difficult for me to believe that they could be successful in obtaining sufficient arms and engaging in sufficient training to make themselves an effective force without the matter coming to the attention of the Bangkok authorities. Certainly, some of the local Thai authorities could not but themselves become alarmed at evidence of military activity among this foreign group, and, at the least, report the matter. In any event, in the absence of widespread popular support within the Northeast for this essentially foreign group, it is difficult for me to conceive of they themselves being able to build their capability beyond that of the capacity of the police, including the Elite Guard Battalion, to handle. However, in the event of generalized disorder in the Northeast, this vigorous group could be a very considerable asset to the other side.

It appears to me that the most likely possibility in this field is that a Communist or crypto-Communist Laos playing on the discontent and even some separatist sentiment in the Northeast, would attempt to foment an insurrection in that area. The apparent potentialities are considerable. There is the long border virtually indefensible against

determined infiltration, the close similarity and even identity between the peoples on the two sides of the border, the capable and energetic Vietnamese Communist cadres already in the Northeast and the Pathet Lao cadres that could be introduced. Against this the area is well covered by small settlements and scattered farms so that "strangers" cannot long go unnoticed. That the Thais are not entirely unaware of this danger is demonstrated by the interest Sarit and Thanom are now showing in the economic development of the area. (As a sidelight in this connection, Sukit told me that historically Bangkok had deliberately refrained from any development in the area so as to discourage further French inroads.)

It seems to me that the danger in this situation lies not so much in military capabilities as political attitudes. That is, in its relaxed attitude toward Communism and events outside of Bangkok, the Thai Government may not take sufficient measures in time to prevent the growth of an insurrectionary movement to the point that it is able to challenge the military capabilities of the Government. This could well happen if the Government has been so paralyzed by leftist infiltration as to render it helpless. In this case, the capacity of the armed forces is meaningless. However, going back to the assumption that there is in Bangkok a reasonably capable government, it seems to me that while it may be very relaxed about many things, it will be very sensitive to any signs of paramilitary activity. This would be something readily understandable by the politically unsophisticated military group now in control, and something to which I believe we could expect them to react as vigorously as they are capable. The question is whether the other side could increase its military capabilities more rapidly than they could be dealt with by a determined and aroused Government using police and armed forces as presently equipped and constituted. I do not believe that they could.

As I previously said, there are not present here the same elements that went to make up the nucleus of the other Communist directed paramilitary activities in other countries of this region. These elements would have to be introduced. Even given the situation on the Lao border this could not be done overnight. First the political base would have to be laid, and the population of the area sufficiently terrorized or politically indoctrinated to give that cooperation and support which is essential to successful paramilitary operations. Next, to extend the activities beyond raids across the border by Pathet Lao, considerable numbers of Thais would have to be taken to Laos for training and equipping, and given sufficient political motivation to kill fellow Thais. I do not say that this could not be done, but it would not be easy, nor quickly done nor done without detection. It is quite a different thing from motivating the energetic and capable Vietnamese to expel the hated French. Also it seems to me that while the Northeast

and other Thais have their legitimate complaints and discontents, as a people the Thais are much less prone than most other peoples to be moved by ideological convictions, Communist or otherwise. Next, to constitute any threat to the Government comparable to that posed by the Vietminh or Pathet Lao, these groups would have to be concentrated at times, moved and supplied over a terrain that offers little in the way of concealment comparable to that enjoyed by other guerrilla movements in the area.

Against this, the government has the Gendarmérie Patrol Force and the Elite Guard Battalion of the police whose morale is now recovering from the low point reached following the September 16 coup. It also has the RTA Ranger Battalion which is an elite group specifically organized for guerrilla warfare, including the organization of additional guerrilla forces. Both of these organizations are highly mobile and well trained. However, their potential is presently greatly weakened by the lack of coordination between the two organizations. Nevertheless, it is difficult to believe that the other side would be able to organize and introduce major paramilitary groups beyond the capacity of these organizations to handle. However, if they did so, the Army and the Air Force, in spite of their gross deficiencies, are no inconsiderable assets. A major deficiency of the Army for this, or for that matter any other kind of action, is in marksmanship. However, if the Army was presented with a real threat of being called into action, I believe we could assume they would show considerably more interest than they have thus far demonstrated for work in this field. However, this does not lessen the vital importance, well realized by JUSMAG, of now doing much more work on this. JUSMAG assures me that the present divisional organization of the Army toward which they are working is as well if not better suited for the command of the small units required for counter-guerrilla operations than the former RCT or any other type of organization.

You will note that in the foregoing I have left out of consideration the conventional Thai civil police. I have done so as the effectiveness of this force is still very doubtful for the reasons set forth in paragraph D 2 of the Status Report. To my mind this is one of our most urgent problems for it is the relatively small-scale civil disorder that can spread if not quickly and effectively handled that is the most probable danger in the Northeast (or elsewhere in the country for that matter), rather than organized relatively large-scale paramilitary activity. I do not feel myself sufficiently informed in this field to have any personal opinions on what we might do beyond the obvious that we are already doing as set forth in the Status Report. However, I plan to look into the matter more carefully and, if I have any further thoughts, will submit them in proper form. In any event, I feel this organization is woefully and even critically weak.

In his letter Ambassador Bishop questions the military justification for giving the Thai Armed Forces the "trappings of modern war" and raises the question of the desirability of reorienting the Thai Armed Forces "in the direction of fitting them primarily to meet a threat from guerrilla action rather than that posed by a war involving regular military in large numbers".

In the first place, it seems to me we have and are, in fact, doing very little to give them the "trappings of modern war" in the present meaning of that term. Actually we are outfitting them largely on World War II standards. These are very modest by present standards and consist largely of motor transport, light tanks, conventional artillery and conventional small arms. With respect to the Air Force, it has consistently been supplied with obsolescent or obsolete aircraft which are, in fact, better suited for operations against paramilitary forces than the more modern very high performance aircraft. All of this is reasonably calculated to meet the political objectives of our program here, as well as enable them to have the military wherewithal to meet either a conventional overt armed attack or paramilitary activity. In other words, I feel that on the whole our MAP program here is reasonably well designed to meet its various objectives and does not at this time require any major shift of emphasis. I believe that any major shift of emphasis to reorient the Thai Armed Forces in the direction of fitting them primarily to meet a threat from guerrilla action or, as apparently implied in the penultimate sentence of the second paragraph of Ambassador Bishop's letter of December 12, for they themselves to fight a guerrilla action against an invader while the United States directed its major effort towards the sources of invasion, would be catastrophic in its effects here. It would imply that our intention was to abandon them to the tender mercies of an overt invasion while we struck elsewhere. Perhaps we might be forced by circumstances to do this but we should certainly in no way ever indicate that this was our intention.

I entirely agree with Ambassador Bishop's observations concerning the lack of competence of most high-ranking Thai Armed Forces officers. However, the question is what we can or should do about it. If we considered the situation hopeless the only logical conclusion would be to give them no military assistance. However, I certainly do not believe matters are at that stage. With our assistance the level of competence is slowly increasing, particularly that of the junior officers who will gradually assume higher ranks. That they can fight at least competently was, I believe, demonstrated in Korea. It is true they were a small group attached to American units, but it is also true that they had not at that time had the benefit of any considerable US training. I believe that the conclusion must be to continue with our program of attempting to improve the level of competence rather than abandoning it, or introducing a major shift of emphasis that could only be destruc-

tive of morale and would be political dynamite. In short, I believe the present scale and pattern of our military investment in Thailand is generally sound and that we have a chance to build up a worthwhile military asset. However, to realize this asset will continue to require increasing work and effort on our part. Whether that asset would be used at all or used properly if and when the "chips are down" depends on the political leadership in Bangkok at that time, and the entire circumstances surrounding the situation. This cannot be predicted here with any more certainty than it can be with respect to many other countries in the world that we are assisting. In any event, this is largely a matter of the political attitudes and complexion of the Bangkok Government at the time, rather than of the present scope and pattern of our military aid, and thus entirely beyond the scope of this letter.

I perhaps have gone somewhat afield from the strict subject of internal security, but I wanted to give you my somewhat broader views of the situation as I now view it. This letter has been written against the background of thorough discussion with all concerned elements of the Country Team and the Embassy staff. It has also been written against the background of my own recent trip through the Northeast. You should know that there is not unanimity of view among the Country Team or even the Embassy staff on this difficult and somewhat elusive subject. However, the differences are largely those of degree. For example, George Wilson and John Hart⁷ believe that the letter somewhat understates the paramilitary capability of the other side and overstates the capability of the Thais to meet the threat. On the other hand, General Partridge and Colonel Weld⁸ entirely concur with the views I have set forth.

All agree that we cannot be complacent about the situation here or in any way be satisfied with the little that has been achieved. The Thai Armed Forces are woefully deficient in training, morale and leadership and are by no means prepared for serious combat. The civil police are weak and throughout the government intelligence gathering and dissemination are poor. The differences of view are simply on how black (or grey) the picture is if the other side should turn from its present tactics to an attempt to carry out paramilitary activities here. Some think it fairly black, others, including myself, think it light grey viewed from the standpoint of relative military capabilities.

⁷ Counselor of Embassy and Deputy Chief of Mission and First Secretary of the Embassy in Bangkok, respectively.

⁸ Major General Richard C. Partridge, Chief of JUSMAG, Thailand, and Colonel Seth L. Weld, Jr., Army Attaché at the Embassy in Bangkok.

I would welcome your thoughts. I am also sending a copy of this letter to John Steeves, asking that he also show it to Admiral Stump as I would welcome any thoughts that they might have.

Sincerely,

U. Alexis Johnson

487. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, June 6, 1958—7 p.m.

3373. Reference Deptel 2963.² After consultation with Country Team I have following comments and suggestions as to Department's final position re Sarit aid request as well as for press statement which might be issued summarizing talks.

1. Defense Support and Technical Cooperation.

Over 8 year period US aid has totaled \$170 million or over \$20 million per year. Of this, 30% has been used for direct benefit Northeast Thai. US has hope that subject favorable annual Congressional action it would be possible continue DS and TC aid at about current level of \$24 million during next few years with continued attention to problems of Northeast. Regarding Sarit request, particularly 3 items mentioned reference telegram, point out that Korat-Ubol highway, according present Highway Department master plan, scheduled for funding FY 1963-66; that Banphai-Ubol highway not part of primary highway system; and that Northeast tank irrigation program with TTEC concurrence dropped from US aid projects on grounds US technical assistance no longer required and TG could carry on program within normal budgetary framework. Present plans give higher priority to Korat-Udon highway. Nevertheless state that subject resolution of priorities, availability of funds and further studies economic and military aspects may be possible make start on Korat-Ubol road during CY 1959 possibly funding portion engineering cost in FY 1959 and begin funding actual construction cost in FY 1960. Point out that according master plan cost this highway including engineering estimated at \$24.5 million as contrasted Sarit memo costing of \$12.5 million. FYI. Master plan figure does not include construction equipment needs. Sarit figure also believed too low and to be based on

¹ Source: Department of State, Central Files, 792.551/6-658. Confidential; Priority.

² See footnote 5, Document 483.

standard of construction too inferior for US-financed highway. Obviously undesirable make a commitment expressed in financial terms. End FYI. State unable consider Banphai-Ubol highway at present as not in primary highway system and appears have low economic priority and little military justification. Decline assistance re tank irrigation for reason given above. With respect to other projects, could consider self-help land settlement, land improvement cooperative, could probably adjust current program to include Ranong-Takuea bridges. Also possible, subject considerable staff work, develop mutually acceptable projects in fields farm credit, paddy and farm product marketing cooperatives. Also happy cooperate in home industry development. USOM activity interested in agricultural, livestock, fishery and forestry development and promotion and except for forestry has given substantial assistance in all these fields. Always glad discuss feasibility of new projects.

2. DLF projects.

Congress deliberately reduced overall funds available for DS and effectively limited use funds to projects with military justification. At same time it created DLF to provide for financing worthwhile economic development projects. Thus while impossible for US increase DS level and difficult find DL projects meeting current stringent criteria, Thai economic development projects such as Bangkok distribution and power, dredge and water supply, as well as other projects eligible consideration financing this source. Express optimism re approval Bangkok distribution and thermal power, indicate dredge approval and interest in Bangkok waterworks when application forthcoming.

3. Military Assistance Program.

JUSMAG review detailed proposals re additional military assistance indicates that number of items in request already programmed previous years; that number of others included in proposed future program; certain other items may be considered but require further Thai-US staff study; some items do not appear meet MAP criteria. Items approved or for which approval requested include following:

Navy: One DE (in ship loan bill now before Congress), two AMS's, three LSM's, a number of shore establishment items.

Air Force: One squadron fighter bombers to replace F-8-F's, one squadron C-47s, considerable logistical support, welfare and medical equipment.

Army: Proposed reorganization RTA involving deactivation certain units and addition others to MAP-supported units has been under discussion at staff level for some time. Agreement this subject not yet reached. Military industrial projects including ammunition plant, rebuild line for major assemblies and some assistance to shoe and uniform plants have been programmed. Other items in fields of welfare,

communications programmed. Entire proposal receiving careful consideration by JUSMAG which will forward recommendations through channels when study completed.

4. PL 480.³

Indication US willingness conclude new PL 480 tobacco sale would be timely (Embtel 3366).⁴ Indicate that portion local currency derived from this and previous sales available for loans for industrial development purposes.

5. AEDF projects.

AEDF projects in which Thai participates, notably regional telecommunications, Mekong development, SEATO skilled labor, and regional English, provide additional resources of which Thailand's share around \$20 million.

6. Promotion private investment.

Express gratification re attitude Sarit and staff re promotion private investment in Thailand; US will continue to assist wherever possible in this activity. Suggest mention my recent offer finance study tour of group Thai leaders to countries where successful investment promotion programs now going on.

FYI: Department's reports re Sarit meetings did not include any indication his attitude to questions raised by oil companies re future their operations in Thailand. Continue feel oil company problem key to private investment climate here. Consider Sarit should be pressed some more on this point, not as concession to US but in enlightened self-interest Thailand. End FYI.

This particularly desirable in view General Narong's presence Washington.

Press statement.

While recognizing that foregoing does not really include many items that represent genuine additives to current programs, nevertheless feel Department can and should develop from positive items in foregoing a rather full press statement along lines indicated mytel 3330⁵ and including mention of some of the items indicated above.

Sarit memo on "ways and means defend against and combat Communist threats Thailand" obviously of little help in drafting statement. Expression mutual satisfaction over continuing strengthening SEATO as anti-Communist shield and necessity remaining vigilant in face Communist threat should be sufficient. There would be difficulty

³ Agricultural Trade Development and Assistance Act of 1954, as amended.

⁴ Dated June 6. (Department of State, Central Files, 411.9241/6-658)

⁵ Document 483.

in going much beyond this in light thesis Sarit memo that Thailand needs large quantities US aid to wage anti-Communist fight more effectively.

Johnson

488. Telegram From the Department of State to the Embassy in Thailand¹

Washington, June 6, 1958—8:20 p.m.

2989. Your 3330.² Appreciate suggestion joint press release which we plan discuss with Sarit at final Sarit–Robertson meeting and issue subsequently. Thoroughly agree some gesture should be made to Sarit preclude talks ending on completely negative note. Your suggested topics one, two, three and five covered in draft we now preparing.

As for loan applications (topic 4) EXIM Bank and DLF giving close study interim power application; additional data needed subject of DLF–EXIM telegram under preparation. Bangkok distribution and water supply applications require additional data before further consideration. Therefore, no commitment possible present time on any of these applications. However, in press release we plan mention fact Thai have submitted these applications which now under review. Should loans be approved prior Sarit departure they would of course be reflected in press release.

Since dredge application approved May 9 we could tie-in to Sarit visit if considered desirable by latter and Thai agree to conditions (Icato 1440).³

Have also looked into possible impact projects including stationing naval vessel Bangkok harbor or loan of mobile electric power units from Army to augment Bangkok electric power pending construction interim power plant. Both of these proved too expensive and technically not feasible due fact US 60 cycle and Bangkok 50 cycle. Mobile military water purification units to increase Bangkok water supply also looked into but too costly operate.

¹ Source: Department of State, Central Files, 792.551/5–3158. Confidential; Priority. Drafted by Wile; cleared with ICA, DLF, and the Export-Import Bank; and approved by Robertson. Repeated to CINCPAC for POLAD.

² Document 483.

³ Not printed.

Cholera relief measures and regional projects seem best assistance we can exploit now. Do you believe full story cholera aid could be played up in any way to help Sarit? ICA/W attempting expedite program approval telecom project and we hope get commitment funds this project in time to link with Sarit visit.

Your comments requested soonest. ⁴

Dulles

⁴ Ambassador Johnson replied in telegram 3380, June 8: "Apparent Department and Embassy thinking along same lines and I am entirely agreeable to whatever Department able work out." (Department of State, Central Files, 792.551/6-858)

489. Letter From the Ambassador in Thailand (Johnson) to the Assistant Secretary of State for Far Eastern Affairs (Robertson)¹

Bangkok, June 11, 1958.

DEAR WALTER: Thank you so very much for your most helpful letter of May 28 giving me additional background on the Sarit talks.²

I have also today received your letter of June 4,³ suggesting that I have a conversation with Pote Sarasin, to include the material in the first paragraph of your letter of May 28.

I appreciate your suggestion and entirely concur. As a matter of fact, I have been keeping Pote generally informed and feel sure that he has been passing it along where he thought it would do the most good. I believe that he may well have indirectly been behind the most excellent statement Prince Wan made the other day deprecating the possibility of any increase in the aid level. There have also been several unattributed newspaper stories from ostensibly Foreign Office sources to the effect that the whole operation has been handled very badly on the Thai side. Thus I believe my talks with Pote have already borne some fruit, and that the Thais are now generally prepared for no substantial results from the Sarit talks. I, therefore, hope that adverse reactions will be minimized.

¹ Source: Department of State, Central Files, 792.551/6-1158. Secret.

² Document 481.

³ Not found.

I think it significant that though we both know people in Bangkok were instructed to get in touch with USOM and myself to obtain support, nobody has approached either USOM or myself since the talks started. There was a great blare of publicity about Sukit being charged to conduct negotiations with me and occasional implications that he is actively engaged in supporting with me Sarit's negotiations in Washington. However, since his original brief call on me before the talks began to give me a mimeographed summary list of economic projects for which Sarit was going to ask, he has never since called or even raised the subject in any way. I have a definite feeling that he knew from the beginning the whole operation was poorly planned, that nothing could be expected of it, and he does not want to identify himself with it any more than necessary.

When I mentioned Khoman's attitude to Pote, he suggested that I tell Prince Wan. I am not sure that this is a good idea and have not yet done so. However, I am keeping it in mind to see what it might be wise to do. Incidentally, Pote told me the other day that there was a rumor in the government (I would not be surprised if it had been planted by Prince Wan) that one reason Sarit was not obtaining any aid was that the Thai Government was trying to reverse its previous decision not to assess income tax against the huge commissions paid Rips⁴ for his supposed role in getting the Thai gold back from Japan at the end of the war. (This is a long, complicated story which your Thai Desk people will know and which supposedly involves Prince Wan.) In any event, in accordance with Pote's suggestion, I today tried to scotch the story by very privately telling the Prime Minister that we had no interest whatever in what they did or did not do with regard to Rips' income tax. He seemed to appreciate this information.

I've told the Prime Minister that as soon as Sarit's talks are finished I want to have a good long talk with him on the whole subject of aid. My thought is to review with him what took place in Washington and to point out some of the decisions that will be required by the Thai Government if they wish to change present priorities on our aid projects. My intent is to leave the matter so that the initiative for any change must come from them. Incidentally, I was gratified when the Prime Minister told me today that he had distributed to all Cabinet Ministers the Thai translation of my June 3 American Association speech on aid. I tried in there to say in as easy a way as I could some of the things that I thought needed saying here.

⁴ Serge Rips was a lawyer and economic consultant who had worked for the Thai Government in helping to negotiate the so-called yen settlement agreement with Japan, which involved questions relating to economic and financial transactions between Thailand and Japan during World War II.

While I think it inevitable that Sarit will, temporarily at least, suffer some loss of prestige here when it becomes firmly known that there has been no substantial result from his talks, I'm not yet in a position to estimate how serious this may be. However, I doubt that it will materially affect his position as long as he has the guns. In any event, we will fully report on this when results become generally known here.

Again, with many thanks and with kindest regards.

Sincerely,

Alex

490. Telegram From the Department of State to the Embassy in Thailand¹

Washington, June 23, 1958—8:22 p.m.

3120. Friendly farewell meeting between Sarit and Robertson took place June 23. Substance follows:

After Robertson expressed gratification Sarit's successful check-up, Sarit explained travel plans (communicated to Ambassador through another channel). Robertson stated pleased U.S. could assist with travel arrangements.

Sarit emphasized need for written reply his memoranda to help offset criticisms which might arise if gave oral report only. Also asked written reply be supplemented by oral comments. At Sarit's request Robertson agreed written reply would be provided through you direct to Sarit rather than government by end of week, with copy to Thai Embassy for Thawi and Pungpop who will remain here for a short time.

Robertson indicated completion \$17 million in loans and grants for Thai portion telecommunications program in offing and arrangements almost completed for loans of between \$30 and \$40 million for thermal electric power plant and distribution system. He then pointed out distinction between loan assistance for economic development (such as these loans and loans being arranged for Philippines) and grant aid under "defense support" program which intended help our allies maintain defense capacity without deterioration their economies.

¹ Source: Department of State, Central Files, 792.551/6-2358. Confidential; Limit Distribution. Drafted by Bushner, cleared by Kocher, and approved by Robertson. Repeated to CINCPAC exclusive for Admiral Stump and for POLAD.

Field Marshal claimed he understands these principles, as do educated Thai, but ill-educated people in opposition party make issue of them because Thai people oppose foreign loans in general. Added he and government will "try to explain" situation.

In response Robertson inquiry if Sarit desires issuance draft press release showed him last week (appropriately revised), Sarit indicated would like see new draft before deciding.² Robertson agreed and stressed question of issuance of release entirely matter Sarit's wishes.

Taking account of reliable reports Sarit's dissatisfaction certain aspects previous meetings with Department officials, Robertson said believed some statements he and Secretary made had been misinterpreted. Stated no other ally for which U.S. feels stronger friendship than Thailand and termed a complete misunderstanding reported statement by Chalerchai that Secretary had indicated to Sarit "where dollars concerned friends don't count".³ In fact, Robertson stressed, Secretary said U.S. and allies fighting Communism on fronts all around world and if gave aid only to friends rest of world would fall to Communists with result U.S. and allies such as Thailand would be surrounded. Also explained he himself had spoken very frankly to Sarit as would to close friend and had no idea Sarit would take offense at queries re leftist newspapers. Expressed regret over any misunderstanding, to which Sarit responded he did not mind as he also likes speak frankly.

Sarit spoke of serious political situation Bangkok and "faults and improper activities" on part government. May have to "take action". Would like return to "surprise friends", show his concern with situation at home. Some might welcome him, others not. Regrets still not feeling up to par. Expressed thanks for transportation assistance, medical treatment, apologized if any misunderstandings. Conversation ended cordially.

Will telegraph written reply to Thai memoranda, supplemental oral comments and draft press release in next few days.⁴

Dulles

² The text of a draft joint press release was sent to Bangkok in telegram 3039, June 13. (*Ibid.*, 792.551/6-658)

³ According to a note attached to a memorandum of Dulles' conversation on May 14 with Sarit (Document 476), the drafting officer of that memorandum indicated that Dulles had actually used the word "inadequate" rather than "limited" in referring to the funds Congress provided for programs to fight Communism abroad. (*Ibid.*, Secretary's Memoranda of Conversation: Lot 64 D 199)

⁴ A revised text of the draft joint press release was sent to Bangkok in telegram 3174, June 28. (*Ibid.*, Central Files, 792.551/6-2858) No press release was apparently issued by the two governments, however, following the conclusion of the talks, probably due to Sarit's hasty departure for Thailand on June 24.

491. Telegram From the Department of State to the Embassy in Thailand¹

Washington, June 28, 1958—8:17 p.m.

3173. *Verbatim Text.* If you perceive no objection request you deliver note (with memorandum) from Secretary to Sarit quoted below accordance plan outlined Deptel 3120.²

1. Note (non-essential words omitted):

“Excellency:

I have honor acknowledge receipt your letter of May 12, 1958 and the memoranda enclosed therewith pertaining to program to combat Communist activities Thailand and economic and military aid programs.³

I am confident that exchange of views on these subjects between you and various representatives of US Government, as summarized in attached memorandum, will further promote Thai-US understanding and help maintain close bonds between our two nations. US will continue do everything possible assist Thailand preserve its stability, independence and prevent Communist advances in Southeast Asia as well as world at large.

I am gratified that US Army medical authorities have confirmed success your medical treatment Washington and I wish you continued good health.

Accept Excellency the assurances of my highest consideration.

John Foster Dulles”

2. Memorandum (non-essential words omitted):

“*Thai-US Discussions*

Memoranda presented US Government May 12, 1958, by Field Marshal Srisdi Dhanarajata on behalf Thai Government have been studied carefully in light discussions between him and US Government representatives. Latter gratified by opportunity afforded these discussions to exchange views on problems confronting our two countries. They also have been much impressed by Field Marshal’s concern for welfare Thailand and its people, his clear-sighted realization Communist objectives Thailand, concern over threat his country arising from Communist infiltration efforts there, and recognition importance to Thailand’s security of its link with US and other SEATO allies.

¹ Source: Department of State, Central Files, 792.551/6-2858. Confidential; Priority; Limit Distribution. Drafted by Bushner; cleared with the Department of Defense, ICA, DLF, Export-Import Bank, and Walter Reed Hospital; and approved by Secretary Dulles. Repeated to CINCPAC for POLAD.

² *Supra.*

³ None printed. (Department of State, Central Files, 792.5-MSP/5-1358)

US Government representatives welcome his interest in possible means countering Communist subversion. They have examined with care various proposals which have been presented this subject, and hope discussion he has initiated may be continued Bangkok with view to strengthening programs established for this purpose.

Re military matters it has been ascertained that a number of items recommended for strengthening Thailand's military posture have already been programmed in previous years, and some are included in proposed program presented Congress for FY 1959. Certain other items do not appear meet MAP criteria and will require further detailed discussions at staff level with JUSMAG Bangkok. Assisting Thailand's efforts maintain its security and increase its defensive strength continues to be fundamental part US policy toward Thailand.

Suggestions regarding economic development projects presented by Field Marshal have been given careful attention. United States recognizes a nation's economic vigor is important factor in its total strength, and intends, to extent permitted by available funds, continue assist Thailand maintain its economic progress. Connection Thai Government's concern regarding economic political situation northeast Thailand, 30 percent of US economic aid so far given has gone that area where there are serious economic needs.

Almost all economic projects listed by Field Marshal appear to have been proposed as part of defense support program. An important consideration which has influenced US Government's discussions with Field Marshal regarding Thailand's economic problems is fact proposed defense support program formulated on basis needs Free World nations faced by Communist threat have already been presented Congress. Thailand's aid requirements, prepared after consultation with Thai Government last Fall, taken into account in program recommended to Congress this Spring. Pending Congressional action, not possible make commitments, or even agreements in principle, regarding defense support aid in coming fiscal year because extent funds which may be made available cannot be predicted.

Nevertheless, discussions which held with Field Marshal have established valuable basis for review by Embassy and USOM to determine if Thai Government's economic proposals might be fitted into program for coming fiscal year, should funds become available, through shift in priorities within presently planned aid level for Thailand. This connection useful to know that Nakorn Rajasima-Ubol Highway, which understood was not scheduled for construction by the Thai Highway Department until 1963-66, may now have higher priority in view Thai Government. Should be noted this respect that from fiscal year 1954 up to including current fiscal year 1958 US economic aid funds in amount \$55.7 million have been made available for highway construction Thailand, constituting more than half of all economic assistance provided Thailand during that period, and that the cost of completing highways upon which work now in progress is estimated at about \$64 million.⁴ To embark on construction another

⁴ The Embassy requested deletion of the words from "and that the cost" through the end of the sentence because the origin of the figure \$64 million was not clear. The Department concurred. (Telegram 3552 from Bangkok, June 30, and telegram 5 from Bangkok, July 1; both *ibid.*, 792.551/6-3058)

highway would almost certainly require deferment or cancellation high priority highway projects already underway. It also noted aid desired for tank irrigation in northeast which Thai Government had previously indicated could handle without further assistance, after more than 100 tanks had been built in northeast with US assistance.

If Government wishes initiate change in priorities in regard these projects, USOM Bangkok will be pleased consider feasibility providing assistance for these projects, within presently planned aid level, provided sufficient funds available in coming years. On similar basis USOM Bangkok would be willing consider specific proposals for self-help land settlement, land improvement cooperatives, bridge construction on Ranong-Takuapa Road,⁵ farm credit, paddy and farm product marketing cooperatives, and home industry development. Consideration of Banphai-Ubol highway might be more difficult because it understood that earlier plans for highway development Thailand did not include this highway as part primary highway system which was to receive priority attention.⁶

US regards Thailand as valuable honored friend and ally, and shares concern expressed by Field Marshal for welfare Thai people. During past eight years US has extended to Thailand total aid of about \$415 million of which approximately \$170 million has been economic assistance. US welcomes Field Marshal's statement that he has urged his government to improve foreign private investment climate Thailand, and believes such investment would greatly accelerate Thailand's economic development. US will continue do everything possible to help Thailand maintain its stability and independence. Number of actions in addition defense support program which promote these objectives have been taken during Field Marshal's visit: namely, a) agreement reached on Thai portion regional telecommunications project under which Thailand would receive \$17 million (a \$10 million grant and \$7 million loan); b) US Government lending institutions have determined that, upon completion formalities and satisfactory clarification certain technical points, they will give prompt and serious consideration to loan applications to assist in financing thermal electric power plant Bangkok and improved and enlarged distribution facilities in and near Bangkok (estimated at a total cost of between \$30 and \$40 million); and c) DLF and Thai Government agreed upon terms of loan to assist Thailand in acquiring dredge for use in Chao Phraya River. As further token US concern for Thailand's welfare, cobalt-60 equipment for treatment cancer and a quantity of vaccine to alleviate cholera epidemic have been presented Field Marshal for Thai people. More

⁵ The Embassy requested deletion of the words "on Ranon-Takuapa Road" because of doubts whether such bridges have adequate military justification for inclusion in the Department of State program. The Department concurred. (Telegrams 3552 and 5)

⁶ The Embassy requested addition of the following sentence: "In addition, this highway might be difficult to justify under present defense support criteria." (Telegram 3552) The Department replied that this sentence should not be used since it was contrary to the position taken in Congressional presentations that the Department of State was not limited to direct support of military efforts. (Telegram 5) The Embassy agreed to withdraw the proposed addition. (Telegram 22 from Bangkok, July 2; Department of State, Central Files, 792.551/7-258)

than ten tons vaccine and equipment provided by private and international agencies to help in fighting cholera have been flown to Thailand by US Government.

US Government confident that continuation at Bangkok of helpful discussions initiated by Field Marshal will further promote Thai-US understanding and contribute to increased cooperation which made possible by his efforts during his visit to US."

FYI. Supplemental comments follow.⁷

Dulles

⁷ *Infra.*

492. Telegram From the Department of State to the Embassy in Thailand¹

Washington, June 28, 1958—8:18 p.m.

3175. Department's 3120.² Re Sarit's request for comments to supplement written reply you authorized provide following orally:

1. Secretary had hoped to see Field Marshal again before latter's departure and sincerely regretted this was not possible because Sarit had to leave on short notice.

2. Following points provided by Defense illustrate our active interest in particular problems facing Thai armed services:

A. Re Army construction programs mentioned Sarit memo (FYI. and discussed JUSMAG's MA-7410³ End FYI), Defense Department has stated will give serious consideration Thai recommendations which meet MAP criteria and are submitted through JUSMAG. Military industrial projects, including rebuild line for major assemblies and certain items in communications and medical and troop housing already programmed.

B. Defense Department hopes Congress will enact legislation authorizing loan of destroyer escort to Thailand. FY 1959 program now under Congressional consideration includes request for funds to cover rehabilitation this vessel. Proposal to lend Thailand other vessels not requiring Congressional authorization is also under active consideration, provided funds are available.

¹ Source: Department of State, Central Files, 792.551/6-2858. Confidential; Priority. Drafted by Bushner; cleared with the Department of Defense and the Office of the Special Assistant for Mutual Security Affairs in the Department of State; and approved by Robertson. Repeated to CINCPAC for POLAD.

² Document 490.

³ Not found.

C. Assistance for further modernization Thai Air Force depends upon availability of funds and aircraft in FY 1959.

Re 2, suggest you determine in consultation Chief JUSMAG items requested in Sarit memo which already in approved FY 1958 program so you can enumerate for Sarit. May also be possible indicate some items included in planned program FY 1959 subject availability funds. Should be made clear no final approval such items has been received and can make no definite commitment regarding them.

Dulles

493. **Telegram From the Embassy in Thailand to the Department of State**¹

Bangkok, June 30, 1958—4 p.m.

3553. CINCPAC for POLAD. Unannounced return of Marshal Sarit Bangkok early morning June 27 stimulated rash of speculations, centering primarily on anticipation changes in government. As of this a.m., however, government spokesmen were following "business as usual" line and there have been no indications any dramatic moves by Sarit contemplated. Embassy contacts over weekend failed reflect any nervousness in ruling circles.

Sarit contributed to atmosphere of calm during press conference June 27 and in various radio and television messages by dwelling at length on his Washington negotiations for US aid rather than on domestic politics. In re latter, he expressed interest in forthcoming general debate (Week 26)² which will enable him decide "who is who" in his group.

Sarit's health remains important factor in local politics. He himself used poor health as excuse in denying any intention "re-enter politics" at this time. His failure appear June 28 at meeting military group inspired fresh rumors regarding state his health which however was pronounced satisfactory by NSP SecGen Phong Punnakan and Pote Sarasin.

¹ Source: Department of State, Central Files, 792.551/6-3058. Confidential. Repeated to CINCPAC, Saigon, Phnom Penh, Kuala Lumpur, Rangoon, Manila, Vientiane, and Chiangmai.

² Not printed. (Telegram 3543 from Bangkok, June 28; *ibid.*, 792.00(W)/6-2858)

Sarit's public handling his negotiations for increased US aid has been satisfactory from US viewpoint. He denied negotiations had failed, asserting they were still going on with results to be announced later. Said US aid offered without condition and complained of Thai press reports he had gone begging to Washington.

Embassy does not, of course, totally discount speculation re impending Cabinet reshuffle and regards some shifts as probable sooner or later, possibly following general debate. Shortly after his return, Sarit resumed normal routine of receiving steady stream visitors and possibility some more dramatic development than Cabinet changes cannot be excluded. However, for moment at least speculations re new coup d'état—which were rife before Sarit's return—have died down and atmosphere general calm prevails.

Johnson

494. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, July 2, 1958—1 p.m.

20. At meeting somewhat over hour this morning I gave Sarit note and memorandum accordance Deptel 3173² and draft press release accordance Deptel 3174.³ (Text memorandum was modified conform Embtel 3552 and Deptel 5.)⁴ Response Sarit's inquiry assured him text memorandum was being given Thai Embassy, Washington.

Sarit carefully read memorandum, asking Chalermchai translate points not clear. He showed little interest in military portion of memorandum and my oral amplifications of military portion, concentrating rather on economic section. Said he wanted carefully consider memorandum and discuss further with me. Also said would let me know about draft press release but showed little interest in it.

He took initiative in opening discussion of political matters by stating that if I wanted to know anything about Thai politics "I should come to him". He made following points: he had returned to Bangkok to tighten up party. He had talked at great length yesterday with party

¹ Source: Department of State, Central Files, 792.551/7–258. Confidential; Limit Distribution. Repeated to CINCPAC and to CINCPAC for POLAD.

² Document 491.

³ See footnote 4, Document 490.

⁴ See footnotes, 4, 5, and 6, Document 491.

and was telling them that if individuals did not get in line they would be dropped from party. He was going to give Assembly ultimatum to "get in line" or he would bring about dissolution and hold new election. As I had seen, general debate had been called off. While general debate may be good in some countries, it is bad for Thailand because of lack of political maturity. He intended to bring press under control. In response my comment leaders of government should be more forthcoming in refuting false press statements, he said he entirely agreed and so told Ministers but they were reluctant to "become involved with press". *Issara* was "particularly violent and nasty" and "some friends" told him that it had been supported by USIS. However, he did not believe this but thought that it was supported by Phao, Pibun and Phin by providing money through Nai Det who is lawyer in Bangkok. He had been told that US firms in Bangkok were carrying advertising in *Issara*. "He did not know whether this was true, and if it was not, he apologized." In reply I assured him US was not supporting *Issara* and noted paper had also violently attacked US and Embassy. In reply my noting *Issara* nevertheless appeared somewhat counter extreme left-wing organs such as *Khao Phap* and *Daily Mail* "which read same as Communist papers I had read in Czechoslovakia," he agreed *Khao Phap* and *Daily Mail* troublesome and with chuckle turned and said *Thai Raiwan* and *Sarn Seri* were also troublesome. He was thoroughly convinced importance of private investment and was trying hard to get change in investment law. He said that while he now understood difference between grant aid, DLF, Export-Import Bank, World Bank and private investment, he had great difficulty in explaining matter, even to members of government. One of problems in this connection was that in Thai language same word was used for "investments" as for "loans" and thus people felt that foreign investment meant they were mortgaging future generations. In Thai concept this was bad.

I emphasized that our desire was to do maximum fit in our programs with desires Thai Government and, as pointed out in memorandum, present programs were based on expressed desires Thai Government. Programs could, of course, be changed but this may in many cases require cancellation existing contracts and entering into new contracts. All this involves considerable discussion and consideration at technical level. Sarit commented that I could be assured his "full support" in getting Thais to work on project changes.

In reply to question by Colonel Weld on his estimate possibility coup, Sarit said only military could pull coup and he saw no one on horizon with military force to do so. He was calling in commanders at all levels to talk with them. I took advantage this opening to say that I know General Partridge welcomed his return as he hoped Sarit would

impress upon officers importance carrying out training program which General Partridge felt had been neglected. Sarit only responded with effusive expression his high regard for Partridge.

“Thailand was little country half-way around world from US” and Sarit recognized problems of Thailand were remote from many Americans. However, glad to note in Washington that persons who had been to Thailand were sympathetic and understood Thailand’s situation.

Throughout interview Sarit was his usual affable self and gave no evidence, expressed or implied, of resentment over results Washington negotiations. Last night Pote Sarasin, who had seen him shortly after arrival, said Sarit had returned very “pro-American”.

When I briefly saw Chalermchai on Monday he volunteered that he realized Washington negotiations had been badly timed and had not been as thoroughly prepared as they should have been on Thai side. Have impression that Sarit may be somewhat concerned as to reactions Embassy, USOM and JUSMAG to his attempt at “end run” in Washington and now realizes importance working through us.

Johnson

495. Editorial Note

On August 19, the Intelligence Advisory Committee approved National Intelligence Estimate (NIE) 62–58 dealing with Thailand. NIEs were high-level interdepartmental reports presenting authoritative appraisals of vital foreign policy problems. They were drafted by officers from those agencies represented on the Intelligence Advisory Committee (IAC), discussed and revised by interdepartmental working groups coordinated by the Office of National Estimates of the Central Intelligence Agency (CIA), approved by the IAC, and circulated under the aegis of the CIA to the President, appropriate officers of Cabinet level, and the National Security Council.

NIE 62–58 was submitted by the Director of Central Intelligence and concurred in by the intelligence representatives of the Departments of State, the Army, the Navy, and the Air Force, as well as The Joint Staff of the Joint Chiefs of Staff.

NIE 62–58 consisted of 2 paragraphs of conclusions supported by 21 paragraphs of discussion. The second paragraph of the conclusions reads as follows:

“[1 paragraph (18 lines of source text) not declassified]” (Department of State, INR-NIE Files)

496. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, October 20, 1958—11 p.m.

913. Saigon inform Secretary McElroy. Colonel Chalermchai, Representative Marshal Sarit, called on me at 9:15 p.m. and informed me as follows.

General Thanom resigned, the King accepted his resignation this evening, the public announcement being made at 9:00 p.m. In the meanwhile troops were called into position to vital points such as communications centers to prevent sabotage. Subsequently at 9:15 p.m. public announcement was made of the formation of a “revolutionary group” consisting of Sarit as chief, General Thanom as his Deputy, and with Admiral Chamnarn and Air Chief Marshal Chalermkiat as other two members. Revolutionary group issued a declaration of martial law. Subsequent declarations to be made through the night. Announcement will be made of the abolition of the constitution, the dissolution of the Parliament, the abolition of the political party law, announcement of formation of committee to draft new constitution. In all it will be a series of over 10 statements. Also during the night 72 arrests of Thai and Chinese “Communist agents”, including five recent returnees from Communist China will be carried out. In reply to my specific question Chalermchai said “he was sure” that arrests would not include members opposition parties such as Khuang or other Democrats.

In reply to my specific question on whether King had concurred in these moves he said movement was not directed against King. “The King will remain and he understands. The King is not involved in politics.” In reply to my specific question he stated he was authorized to inform me that this action portended no change in Thailand’s for-

¹ Source: Department of State, Central Files, 792.00/10-2058. Secret; Niact. Repeated to Saigon. Secretary of Defense McElroy was then in Saigon en route to Bangkok. Telegram 956 from Bangkok, October 23, reported on Sarit’s meeting with McElroy and Johnson in which Sarit raised the question of possible Thai requests for further U.S. aid. (*Ibid.*, 611.92/10-2358)

Sarit flew to London in early August. He stayed in England until his return to Bangkok on October 19.

eign policy of alignment with the free world, its obligations under SEATO, et cetera and group would honor all Thailand's international obligations.

I pointed out to Chalermchai Secretary McElroy scheduled arrive here tomorrow afternoon, he scheduled to meet with several members government, et cetera, asked whether group desired have Secretary continue with visit or if they desire I attempt postponement. Asked for reply by midnight tonight. Matter was left that if Chalermchai did not communicate with me by midnight tonight, I could assume they desired McElroy proceed with visit.

When during course conversation I pointed out to Chalermchai seriousness of extra constitutional movement such as this he said September '57 coup group had also suspended constitution, had made "mistake" of again putting it into force without due consideration. One of problems was low qualifications of assemblymen (which is true), that assembly was blocking effective actions to solve country's problems, present political law gave entirely too much status to left wing parties, et cetera.

Chalermchai said term "revolutionary group" was being used instead of "coup group" as movement not directed against government but only against assembly, whereas in September '57 move was against both government and assembly.

I made no commitments or statements of approval of any kind and did not respond to Chalermchai's statement that Marshal Sarit would welcome "my advice".

If it is confirmed that status of King is not involved and if King does not oppose moves of group there will not be any question of "recognition" involved and I plan continue to deal with Sarit, Thanom, and others on de facto basis without raising questions of recognition.

For McElroy: Unless I communicate further with you suggest you proceed with visit as planned.

Johnson

497. Memorandum From the Director of the Bureau of Intelligence and Research (Cumming) to the Acting Secretary of State¹

Washington, October 20, 1958.

SUBJECT

Intelligence Note: *"Revolutionary Council" Assumption of Power in Thailand*

The formation of a "Revolutionary Council" in Thailand announced today does not represent a coup d'etat. Although the Council has declared martial law, abrogated the constitution, and dissolved the National Assembly, the arrangement, in fact, is an orderly attempt by the present ruling group to solidify its position. This action was taken with the support of the government of Prime Minister Thanom Kit-tikachorn, which has resigned. There have been no known changes in the military or police hierarchy, and the "Revolutionary Council" has pledged its support to the King. Field Marshal Sarit Thanarat, who has been in control since he ousted former Prime Minister Phibun by a coup d'etat in September 1957, heads the "Revolutionary Council" consisting of leaders of the armed forces and civilians as yet unidentified. The publicly stated reason for the seizure was the "increased pressures from external and internal tensions, especially from strong Communist threats."

The actions of the "Revolutionary Council" were motivated primarily by the desire to strengthen control over the government, and possibly to forestall the outbreak of a struggle for power stemming from increased factionalism within the present ruling group. It is likely that the new constitution will be drafted so as to permit the ruling group to exert a more direct control, and that either Thanom or Sarit will form a new government excluding leftists and other undisciplined elements.

Political tensions, chronic to Thailand, recently have become more serious than at any time since September 1957. The ruling group has been unable to exert adequate discipline over the disparate civilian elements who made up the government bloc in the National Assembly and to maintain a satisfactory degree of internal unity. The solidification of ruling group power will result in a diminution of the influence of elements within the government coalition which Sarit has had difficulty in controlling and will ease the way for constitutional change. Moreover, the "Revolutionary Council" action should serve to

¹ Source: Department of State, Central Files, 792.00/10-2058. Secret.

forestall any plans Deputy Prime Minister and Minister of Interior Praphat Charusathien may have had to seize leadership of the ruling group from Sarit.

Thai leaders also have become concerned over the dangers of Communist subversion, especially since Cambodia's recognition of Communist China last July. The resignation of the Thanom government will provide the ruling group with the opportunity to form a new cabinet without leftist representation and to institute more vigorous anti-Communist measures, particularly against elements of the press. While censorship has not been imposed, the Council has announced that support for "harmful ideologies" will bring a crackdown.

498. Memorandum From the Director of the Office of Southeast Asian Affairs (Kocher) to the Acting Assistant Secretary of State for Far Eastern Affairs (Parsons)¹

Washington, October 21, 1958.

SUBJECT

Item for Possible Use at Secretary's Staff Meeting: Coup at Bangkok²

Summary of Events

Field Marshal Sarit flew secretly from London to Bangkok, arriving October 19. At 7 p.m., October 20, an emissary from the King informed [*less than 1 line of source text not declassified*] that a coup was in the offing which would make Sarit a military dictator. The King had reportedly received this information from Sarit who implied the coup was necessary to head off a power grab by General Praphat, Minister of Interior, and permit drastic anti-Communist measures.

At 9 p.m. Thanom announced on the radio that the King had accepted his and his Cabinet's resignation. He assured the King of his continued loyalty. As indicated by subsequent radio announcements, a "Revolutionary Council" headed by Sarit abrogated the Constitution, dissolved the Assembly, declared martial law and instructed Permanent Under Secretaries (the highest career official in each Ministry) to

¹ Source: Department of State, Central Files, 792.00/10-2158. Secret. Drafted by Bushner.

² Thailand was discussed briefly at the Secretary's Staff Meeting on October 24, when Parsons noted that Sarit was clearly in charge and that, while the legal situation was being analyzed, there seemed to be no question of recognition being raised. (*Ibid.*, Secretary's Staff Meetings: Lot 63 D 75)

perform the functions of Cabinet Ministers. The Council claimed it seized power "on behalf of the Thai people" because of "external and internal tensions, especially strong Communist threats." It also stated it would protect foreigners, uphold the King as Head of State, and not change institutions "more than necessary" for national security.

On October 20, here in Washington, Prince Wan cancelled his call on the Acting Secretary scheduled for October 21 and Ambassador Khoman departed for Bangkok. An Embassy Secretary asserted he might become Foreign Minister.

Build-Up

[*less than 1 line of source text not declassified*] reports received today suggest a build-up of tension over the past week as coup rumors multiplied, with various potential leaders being suggested. Some of this build-up may have been intended to justify Sarit's coup. Other [*less than 1 line of source text not declassified*] reports emphasize Sarit's intention of arresting Communists and other plotters, including two Phao-Phibun cronies.

Comment

This coup parallels one in November 1951 in that it was carried out by those who already held power. As in that one the primary objective is probably to end the influence of the parliament, control of which Thai military leaders find expensive and uncertain. Another objective was probably to forestall Interior Minister Praphat from creating a foundation for seizing power (although there are no signs he will be eliminated from the military group). To a lesser extent Sarit may hope to reduce the threat of Communist subversion, as implied in the communiqués and private statements [*less than 1 line of source text not declassified*]. Whether this reason has been advanced as window dressing can be determined by the extent of the Government's counter-Communist moves.

It appears from pre-coup rumors that Sarit may have in mind revision of the Constitution to provide for a strong upper house to serve as a curb on the elected Assembly. This could explain the coup as it is doubtful if the Assembly would have voted such a change thereby seriously reducing its strength and its "squeeze."

Subsequent Information

Additional information received by Ambassador Johnson from Sarit's aide tends to confirm the above comment. The aide stated this is a movement against the Assembly. He also assured the Ambassador the coup portends no change in Thailand's alignment with the Free World, and discharge of its international obligations including SEATO.

499. Telegram From the Commander in Chief, Pacific's Political Adviser (Steeves) to the Department of State¹

Pearl Harbor, October 22, 1958—12:20 p.m.

220220Z. From POLAD 29. Ambassador Thanat Khoman stopped over in Honolulu this morning for a few hours en route home to Bangkok from Washington. I have known Khoman for ten years and although he is sometimes reticent to discuss national politics on short notice, this morning he was not only willing but anxious to discuss recent events in Thailand. It was quite obvious that Dr. Khoman had previous knowledge of the steps which would be taken by Sarit on the 20th. These measures were discussed rather fully when they met in London about two weeks ago. He would have been present in Bangkok on the 20th had he been able to get travel bookings to reach there in time. Although he did not say so directly, he strongly implied that he was going back to Bangkok to take some leadership in the new regime, most likely in the cabinet with the portfolio of Foreign Affairs. During the very illuminating conversation, highlights of Khoman's opinions expressed follow:

1. Takeover again by Sarit and firm measures instituted, such as martial law, etc., had full concurrence of the King. He believes strongly that any new form of government organization which may evolve will certainly retain the institution of the Crown.

2. Khoman firmly believes that there was sufficient evidence of subversive activity (probably Communist) working towards Thai neutrality at least (if not actually orienting country towards compromise with Communist China) to warrant strong action which has been taken, while he did not believe that Thanom or Praphat were involved in any such machinations, quite the contrary, that they were too weak and lacking in firm leadership to take the stern measures required to stabilize the country in face of this drift to the left. In addition Thanom is more interested in getting back to his military career than continuing in his present role.

3. He hopes that Thailand's friends will understand but it is quite obvious that Thailand cannot afford some of the trappings of Western democracy which have led to corruption, economic deterioration, and wanton vilification of government institutions by the press adding up to a dangerous drift towards national incompetence and instability. He has urged Sarit not to destroy democratic institutions, such as freedom

¹ Source: Department of State, Central Files, 792.00/10-2258. Secret; Priority. Repeated to Bangkok.

of the press and the right of opposition; that these rights must be exercised in a limited way under a rather benevolent but strong leadership.

4. Khoman repeated several times that Thailand's success in remaining free and strong depended very largely on continuing cooperation in all fields with the United States. He said, "you may rest assured if I have anything to do with the government our ties will be strengthened with the United States, not weakened."

5. He said people like Prince Wan, while devoted government servants, were weak and vacillating. He even said that Wan's experience in the United Nations had made him more interested in internationalism, far removed from Thailand and less concerned with the domestic situation and relationships with its close neighbors than he ought to be. He said that part of the unfortunate relationships with Cambodia were Thailand's fault; that at one period Thailand had actually snubbed Sihanouk on one of his visits and that the latter had never really recovered from that affront. He said that Thailand must move to strengthen bonds with Cambodia, Viet-Nam, Burma and Malaya. Sarit has already heard from Ne Win since the coup in Burma and he thought there was a good understanding between the two.

6. He was anxious to know the latest news of the situation in the Taiwan Straits. He said he endorsed completely United States' strong stand against Communist aggression against Taiwan and that all Southeast Asia felt safer and more confident seeing the U.S. stand by its commitment to the GRC.

7. He expressed great concern over Thailand's three million Chinese who, he said, would turn to the Communists "at the drop of a hat" if the Chinese Communists ever made any attacks on Thailand. The handling of this minority was one of their biggest problems. CINCPAC has seen this telegram and suggests pass CNO your discretion.

500. **Telegram From the Department of State to the Embassy in Thailand**¹

Washington, November 6, 1958—7:52 p.m.

927. Ur 1108.² Appreciate timely summary political situation Bangkok and concur your continued efforts urge on Sarit and associates desirability early formation government. Also agree importance maintaining good relations with Sarit while not prejudicing our ability work with other appropriate leadership which may emerge. While we recognize need for positive action such as might follow emergence of Praphat as dominant figure, would welcome further comment on his probable position on Thai foreign policy in view our lack knowledge his stand this subject. In addition, we wonder if he has sufficient maturity and useful political connections to maintain leadership and consolidate control over highly unsettled internal situation. Request your estimate re possibility of effective Praphat/Thanom cooperation. In this connection are there any other alternatives which might be more favorable Thai and U.S. interests? Advise if Phibun or Phao involved in present maneuvering and comment on chances return of either should Sarit Govt disintegrate or be overthrown.

Would appreciate estimate of King's attitude toward current developments and role he may be able and willing play in influencing favorable outcome.

Dulles

¹ Source: Department of State, Central Files, 792.00/11-558. Secret; Priority; Limit Distribution. Drafted by Bushner, approved by Alfred leS. Jenkins and Kocher, and approved by Parsons.

² In telegram 1108, November 5, Ambassador Johnson expressed concern about Sarit's health and said that Sarit gave every appearance of drifting without any clear course of action in mind. He added: "There are increasing indications serious deterioration situation within Revolutionary Party pointing toward possibility loss of control by Sarit and probable scramble for power by others within group." (*Ibid.*, 792.00/11-558)

501. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, November 10, 1958—6 p.m.

1153. Department pass CINCPAC and CINCPAC POLAD 80. Evening November 9 Sarit had summarily executed by firing squad on street against wall of Wat, 2 men accused arson in connection large fire in Thonburi November 7. This brought total to 3 summary executions, another having been shot November 6 at Pramane Grounds against wall National Library for allegedly hiring a man caught setting fire earlier same day. All three men racial Chinese but apparently last two were Thai nationals. Some of interrogations prior to executions conducted personally by Sarit who has been attending fires and personally directing firemen and police. In all three cases, men reportedly refused to talk up to end.

Following November 9 executions Sarit issued statement that "Beyond all doubt this was case terrorism intended undermine peace and happiness Thai people. It bore unmistakable imprint Communist strategy . . . ² Would like impress upon (my fellow countrymen) terrible menace of Communism which has now revealed self with all its horrors and callousness to pain and suffering in our beloved country." In later communiqué, Sarit stated all of four serious fires during week were Communist retaliation against Revolutionary Party's drive against Communists and warned RP would take anti-Communist action stronger than ever before in Thai history." Asked cooperation with authorities in order "eliminate Communism, biggest enemy of Thai people."

Arson for collection insurance has long been serious problem in Bangkok and there is little doubt that current series fires falls into this category, e.g., press reports from police sources that two men executed November 9 had insured empty store building where fire started for 400,000 baht. Sarit has called meeting of fire insurance company managers at RP headquarters for morning November 10. Under these circumstances, blaming Communist conspiracy for fires not very convincing.

Sarit himself has repeatedly emphasized personal responsibility for executions: "I shall be happy face all consequences this decision alone". He was present at both executions and gave command to fire at second.

¹ Source: Department of State, Central Files, 792.00/11-1058. Confidential. Repeated to Saigon, Phnom Penh, Vientiane, Rangoon, Kuala Lumpur, Manila, Taipei, Hong Kong, Chiangmai, and CINCPAC.

² Ellipsis in the source text.

While Embassy agrees strong action against arsonists justifiable can not but deplore summary procedure without even pro forma court martial. Though reactions to first execution locally have been generally approving, continuation this procedure, especially if extended to other offenses, will raise questions "Who is safe and who is next?" (Which will undoubtedly also occur to potential or actual political opponents.) Embassy officer who visited Pramane Grounds (where first execution took place) evening November 9 found crowd gathered in anticipation further executions (which actually took place in Thonburi) in mood subdued uneasiness.

Prominent leader of Chinese community (Chulin Lamsan) who considers self assimilated Thai, told another Embassy officer November 9 (before second execution) that Chinese approve first execution but deplore fact that Thai who actually set fire not executed. Report unknown reliability from police CID claims there is fear strong reaction in Chinese community.

[1 line of source text not declassified] told me in confidence Sarit (who was 1 hour late for appointment) gave appearance very ill man. Said that while affable Sarit seemed unable grasp or give meaningful response to [less than 1 line of source text not declassified] attempts discuss economic and financial matters. Said Sarit, and to greater extent Chalermchai, spoke bitterly of failure last summer in negotiations obtain additional US aid. "If left up to President Eisenhower who understood our problems negotiations would have been successful but those below President blocked our efforts".

Present trend thus increasingly disturbing and, unless reversed, coming days or weeks may well bring a move against Sarit, particularly if it appears failing health is causing him to lose ability maintain control.

I do not plan take initiative raise matter summary executions but will take advantage any opportunities informally indicate disturbance as failure observe legal norms to be expected even under martial law. Saturday evening³ Pote Sarasin indicated in my presence to senior army officer close to Sarit (Amnuey) his disturbance at failure Sarit observe any legal forms. Am satisfied many other Thais, even in military group, feel same way but are not willing now to oppose Sarit on this issue.

Johnson

³ November 8.

502. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, November 11, 1958—5 p.m.

1158. Reference Deptel 927.² As far as Embassy aware Praphat today generally pro-West and pro-free world in orientation and would continue Thailand's association SEATO and military cooperation with US. Today his public position clearly anti-Communist. How much strong conviction lies behind this difficult to say and cannot be ruled out that he would engage in deals with leftists for personal or domestic political gain. Cambodian affair³ would indicate that Praphat, whose experience outside Thailand and associations with Westerners quite limited, strongly nationalistic and if he were in charge this might also make working with Thailand more difficult on occasion because of "national sensibilities".

Praphat stewardship Ministry of Interior indicates he has considerable gift for administration and for holding loyalty subordinates including long-time civil servants. His frequent deft fencing and maneuvering via newspaper statements, speeches, etc., over past year has demonstrated he also competent in local politics. Today key element control Thailand is army and Embassy believes Praphat would have good chance command army allegiance if Sarit does or obviously unable retain control.

Heretofore Embassy has regarded either Thanom or Praphat figure most likely to succeed to Sarit's position, with no other contenders in as favored positions. Thanom's advantages are reputation honesty and integrity which brings wide-spread loyalty in military group, especially among more junior officers, and also some general support outside military. Praphat's advantages are evident strong ambition and readiness engage political in-fighting as well as direct command position over key army units.

Recent weeks, with shifting of Sarit's favor among his supporters in military group and appearance some new faces (such as Wichit), together with growing possibility Sarit may not be able continue in secure control situation, appears open possibility that Praphat and Thanom might be led join forces for purpose removing Sarit and establishing joint regime. Would not expect combined rule be more than temporary, however, since outlook two men differs sharply on subject King (Praphat reported lukewarm supporter monarchy), cor-

¹ Source: Department of State, Central Files, 792.00/11-1158. Secret; Priority; Limit Distribution.

² Document 500.

³ Continuing friction between Thailand and Cambodia led to a rupture in diplomatic relations on December 1, 1958. Relations were resumed in February 1959.

ruption, etc. Moreover Thanom could not be expected serve as figure-head for Praphat as he did for Sarit, his long-time patron and idol. Praphat on the other hand would not be content share leadership indefinitely. Embassy would expect Praphat eventually emerge on top, assuming military remains in ascendancy. (This is not to say Praphat in present situation might not take opportunity seize control alone or Thanom do same in effort forestall Praphat or avoid chaos in government.) Full discussion Praphat contained airgram being pouched.⁴

In summary, Embassy regards Praphat as most likely Sarit successor if, as appears highly probable, military remains in charge. Although he might be tricky to work with in view of his corruption, nationalism and lack of acquaintance with West, he would not be expected to bring about any fundamental alterations Thailand's foreign policy and he would probably run the Thai Government more effectively.

Further comments Deptel 927 follow.

Johnson

⁴ The information on Praphat was forwarded in despatch 308 from Bangkok, November 12. (Department of State, Central Files, 792.00/11-1258)

503. Telegram From the Department of State to the Embassy in Thailand¹

Washington, November 13, 1958—8:33 p.m.

994. Thai Ambassador called on Assistant Secretary Robertson in Secretary's absence to deliver letter from Sarit to Secretary.² Letter, under Defense Ministry letterhead and signed with Field Marshal title only, stated events last month in no way affect two countries' relationship. It expressed Sarit's desire enhance US-Thai friendship and his confidence this end will be pursued by future Thai government. Letter added that with substantial reduction threat to Thai security, which necessitated change, nation would resume normal course; thanked

¹ Source: Department of State, Central Files, 792.00/11-1358. Confidential; Limit Distribution. Drafted by Bushner, cleared by Jenkins and Kocher, and approved by Robertson.

² A summary of Sarit's letter is in Tosec 27 to Paris, December 17. (*Ibid.*, 611.92/12-1758) The text of the letter is *ibid.*, 792.00/11-858.

Secretary for showing "true comprehension which once more denotes real American friendship" for Thai people; and offered maintain close contact through you or Khoman. Copy letter being pouched.

Ambassador repeated most points contained in letter; he also said change had majority support because Thai people dissatisfied, referred Sarit's efforts improve living conditions, assured Robertson interim government would be formed soon (Sarit allegedly says by end November), and claimed he advised Sarit include Thai who enjoy US confidence such as Pote and Prince Wan. He mentioned work of economic committee and his authorization stay here short time to sign US loans and follow up potential private investors in Thailand. He also referred series of fires allegedly in non-Chinese areas Bangkok, and his suspicion they intended create confusion and reflect on new regime's ability maintain order and improve public welfare. In response Robertson's questions Ambassador said Sarit's health "good" except gaining too much weight.

Perhaps Ambassador's most interesting comment was statement Sarit would appreciate very much "if US could make some gesture of support for government to be formed". We realize danger of making significant gesture if Sarit's days numbered and if gesture should be used to delay return of government stability and legal processes. Our tentative thinking therefore is make noncommittal but friendly reply Secretary to Sarit letter at time interim government formed, if indeed government established appears to be constructive one.

Secretary's letter which could be construed as mild gesture US approval could perhaps also refer to successful completion loan package even though loans may be signed and publicized before Sarit receives letter. (Thanat appears most anxious sign loan package before his return to Bangkok in two or three weeks.)

Request your comments and any alternative suggestions for "gesture".

Herter

504. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, November 18, 1958—3 p.m.

1218. Reference: Deptel 994.² Minister Foreign Affairs has also provided Embassy with copy letter 8 November from Sarit to Secretary. Understand parallel letter sent Macmillan.

Assuming interim government presented to and accepted by King, Embassy [position?] again is non-committal friendly reply from Secretary to Sarit in order. Despite Embassy concern over uncertain situation in RP and deterioration Sarit health, believe phrasing letter should avoid any implication we do not expect Sarit will continue as leader for indefinite period. Letter should confirm intention continue maintain cordial relations with His Majesty's Government. In order avoid possible use of letter as excuse delay establishment permanent government it should express hope we can look forward to reestablishment in near future of constitutional representative government. Letter also should state US pleased at reaffirmation Thai free world alignment, support of SEATO and determination resist Communist infiltration and subversion. Agree letter should tie in loan package if timing propitious. Might go on to indicate US readiness discuss with Thai Government FY 1959 US program designed continue cooperate with Thai in technical assistance and economic development. Furthermore US prepared assist Thai in their desires meet urgent industrial requirements by encouraging US private business investigate opportunities invest Thailand.

Degree of warmth of letter should depend on nature of interim government, caliber persons appointed key positions and whether intention eventually establish representative government clearly indicated. Meager reports available indicate Sarit keeping plans for interim government largely to himself. Accordingly, when government announced, Embassy may wish comment further (particularly if King bypassed).

Believe to be most effective, letter should be sent promptly after formation interim government. Hope text can also be cabled Embassy so that I can immediately deliver Secretary's message to Sarit in person in advance receipt letter itself.

Johnson

¹ Source: Department of State, Central Files, 792.00/11-1858. Confidential; Limit Distribution.

² *Supra.*

505. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, December 13, 1958—1 p.m.

1497. Reference: Embassy telegram 1218.² Embassy now believes our reply to Sarit's November 8 letter to Secretary³ should no longer be delayed. Our original position, as set forth in reference telegram, based on assumption interim government to be formed shortly and on our reluctance appear to be encouraging continuation one-man show by Sarit.

Now believe, however, that further delay will be more harmful than otherwise. As Department aware, Macmillan replied to similar letter sometime ago. Also while no firm evidence exists when interim government to be formed, Sarit indicated December 11 in answer to press query that formation not imminent. Furthermore by holding up reply until now, believe we have accomplished part of our purpose in that we have not hastily given official approval of Sarit's action in suspending constitutional representative government (have had indications some concern on part some around Sarit our failure reply thus far). Finally, as reported in Embassy telegram 1496 situation in RP has calmed down and Sarit's health has evidently taken turn for the better.⁴ From all indications, Sarit in firm control and appears probable he will continue dominate local scene and that we will be dealing with him for some time to come. In further delaying reply to letter, therefore, we run risk of unnecessarily irritating him by appearing discourteous.

While lack of government is handicap to normal relations with Thailand and while we do not condone some of Sarit's peremptory actions such as executing arsonists without due trial by law, nevertheless must be recognized that much of his program is beneficial to US interests. Will transmit suggested text reply in subsequent message.⁵

Johnson

¹ Source: Department of State, Central Files, 792.00/12-1358. Confidential; Limit Distribution.

² *Supra.*

³ See Document 503.

⁴ In telegram 1496 from Bangkok, December 13, Ambassador Johnson indicated that there was evidence that Sarit had "reassumed command" of both himself and his followers. In addition, Sarit's relations with the King, while "perhaps not close," nevertheless appeared cordial and friendly. Johnson said that the King "warmly approved" Sarit's handling of the Cambodian matter and generally favored his conduct of other matters. (Department of State, Central Files, 792.551/12-1358)

⁵ The suggested text was sent in telegram 1507 from Bangkok, December 15. It differed only slightly from the text of the letter as sent to Sarit; see Document 507.

506. Telegram From the Department of State to the Embassy in Thailand¹

Washington, December 17, 1958—6:36 p.m.

1291. Ref: (A) Bangkok 1489 rptd Saigon 162, other addressees unnumbered, not sent New Delhi.² (B) Saigon 1172 rptd Bangkok 147, Vientiane 167, Phnom Penh, New Delhi unnumbered, not sent to Manila, Rangoon.³ Department's views on refugee problem follow:

1. To achieve objective of removing threat posed by refugees to Thai and Lao security and at same time avoid handling problem in manner which would damage prestige GVN, appears two important steps involved: a) segregation of Communist leaders from bulk refugees and b) reorientation remainder of refugees. This confirmed by history unsuccessful efforts resolve this problem over period years. Essential first step would require arrest of leaders which would pose problem their eventual disposition. Second step should probably also involve removal balance refugees from present location because of effect on security Thailand and Laos. This particularly important because of crucial period leading to anticipated general elections in Laos.

2. Re question disposition arrested leaders they could either be detained in Thai prisons or deported. Former probably not very satisfactory since dubious TG would keep them imprisoned for prolonged period. Deportation would presumably not contravene UN convention on refugees if done in accordance due process Thai law, but would be necessary find country which would receive them. Would be preferable send them to North Viet-Nam if arrangements could be made on basis which would not involve official TG negotiations with North Vietnamese regime such as private arrangement suggested Ref (A) which has additional public relations advantage of giving them choice of area to which sent.⁴ If North Viet-Nam refuses accept them, then

¹ Source: Department of State, Central files, 292.51G22/12-1558. Secret. Drafted by Bushner; cleared by Jenkins, Kocher, and Richard R. Brown, Director of the Office of Refugee and Migration Affairs; and approved by Parsons. Also sent to Saigon and Kuala Lumpur and repeated to Manila, Phnom Penh, Rangoon, Vientiane, and New Delhi.

² In telegram 1489 from Bangkok, December 12, Ambassador Johnson reported on conversations held with Visutr and the Vietnamese Ambassador in Bangkok, Le Van An, concerning the expressed desire of Sarit and Thai authorities to oust the Vietnamese refugees from Northeast Thailand, where they had been living since fleeing the fighting in Indochina in the 1940s. (*Ibid.*, 292.51G22/12-1258)

³ In telegram 1172 from Saigon, December 15, Ambassador Durbrow reported on a talk with Vietnamese Foreign Minister Vu Van Mau concerning the refugee problem. The Vietnamese position was essentially that Thai authorities should arrest the Communist leaders among the refugees and then allow the Vietnamese Government to work with the rest in order to repatriate them. (*Ibid.*, 292.51G22/12-1558)

⁴ In telegram 1489, Ambassador Johnson stated that he had pointed out to Ambassador An "that Thai Government had every right deport undesirable, law-breaking aliens; if latter did not wish go to South Vietnam, they could be told that if they could

deportation to South Viet-Nam could be considered. Recognize GVN might find it difficult accept leaders since they presumably hard-core Communists not susceptible reorientation. However probably more effective imprison them in South Viet-Nam than Thailand in view fact Thai willingness keep them imprisoned may weaken.

3. Appears resettlement bulk of refugees within Thailand would avoid policy and public relations problems raised by mass repatriation but would be large and expensive undertaking. U.S. can give no commitment provide funds and no consideration can be given request for same unless Thai come up with specific plans and details affording promise effective solution whole problem. Re Wisut's tentative proposal,⁵ preliminary research indicates Tarutao unlikely support large resettlement project owing size (5 x 15 miles) and limited arable area (few small patches alluvial soil on east and northwest coasts which appear to be only areas suited rice cultivation). Also location ten miles off coast Malaya and proximity to areas containing last strongholds Malayan Communists pose question attitude Malayan Government. Request Kuala Lumpur comment this point without raising with Malayan authorities.⁶ Recognize further search might turn up more suitable resettlement area.

4. Request Bangkok and Saigon comment on above statement problem.⁷ In particular, request Bangkok comment on GVN claim real Communist leaders of refugees not apprehended, and assess possibility Sarit may act effectively to segregate such leaders from bulk refugees. Lacking such action do not believe successful resettlement effort possible and would wish continue avoid any U.S. involvement.⁸

make arrangements on private basis with other country. They could go where they wished, thus obviating objectionable Thai-DRV official contacts."

⁵ Reference is a suggestion, also reported in telegram 1489, that the Thai Government, since it expected the Republic of Vietnam to refuse to accept the refugees and since it did not consider it practical to send them to the Democratic Republic of Vietnam, might consider sending them to Tarutao Island near the Malayan border.

⁶ In telegram 221 from Kuala Lumpur, Ambassador Byington noted that the Malayan Government would oppose any resettlement of the refugees on Tarutao unless it were certain there were no Communists among the group and that the Thai could guarantee no refugees would leave the island. (Department of State, Central Files, 292.51G22/12-1958)

⁷ In telegram 1199 from Saigon, December 19, Ambassador Durbrow commented that more discussion was necessary with the Vietnamese authorities who were sensitive to the criticism which would arise if the Communist leaders among the refugees were repatriated by the Thai only to be immediately jailed by the Vietnamese Government. Durbrow felt it would be preferable to send the leaders to North Vietnam under a private arrangement but also thought a satisfactory settlement could be worked out through the International Red Cross. (*Ibid.*, 292.51G22/12-1958)

⁸ Ambassador Johnson made further observations on the refugee question in telegrams 1536 and 1582 from Bangkok, December 19 and 24, respectively. Because of the uncertainty surrounding the whole matter, he thought that the U.S. Government should avoid becoming directly involved. (*Ibid.*, 292.51G/12-1958 and 292.51G/12-2458)

5. Request Saigon comment on possibility GVN could be persuaded accept arrested Commie leaders as last resort if DRV refuses receive them.

6. Embassy Bangkok authorized, in its discretion should opportunity arise, suggest Thai avoid hasty attempt solve this complex problem by mass repatriation effort, also seeming unsuitability Tarutao as resettlement area.

Herter

507. Telegram From the Embassy in France to the Embassy in Thailand¹

Paris, December 18, 1958—8 p.m.

3. Deliver following message Field Marshal Srisdi from Secretary.² Inform Department date and time delivery.

“Paris, France, December 18, 1958

Dear Field Marshal Srisdi:

I thank you for your thoughtful letter of November 8, 1958³ and particularly express my appreciation for your statement of desire to maintain and enhance the already close bonds of friendship between the United States and Thailand. This entirely corresponds with the intent of the United States Government. Therefore, I am also confident that the mutually beneficial relations which have existed for so long between our two countries will result in even more cordial understanding and cooperation in the future.

In following developments in your country I have especially noted your forthright public statements reaffirming Thailand's alignment with the free world and its support of the Southeast Asia Treaty Organization, as well as the steps being taken to maintain the independence of Thailand against the insidious threat of Communist infiltration and subversion. I am confident that by maintaining such steadfastness of purpose and faithfulness to our ideals, we of the free world will hasten the coming of that day when we shall be relieved of the heavy burden to devote our energies and resources to the building of a better life for all.

¹ Source: Department of State, Central Files, 792.00/12-1858. Confidential. Repeated to the Department of State as Secto 30, which is the source text. Secretary Dulles was in Paris for the Ministerial Session of the North Atlantic Council.

² The text of the message was drafted in the Department and sent to Paris for the Secretary's approval in Tosec 27, December 17. (*Ibid.*, 611.92/12-1758)

³ See Document 503.

I will continue to follow with interest the steps that are being taken in Thailand to meet its immediate problems and to restore the life of your nation to its normal course.

Please accept my warm personal regards.
Sincerely yours, John Foster Dulles⁷

Signed original being pouched. Department desires text this message not become public. If Srisdi desires do so, inform Department at least 24 hours in advance.⁴

Dulles

⁴ Telegram 1556 from Bangkok, December 22, reported that Sarit was anxious to release the texts of Secretary Dulles' letter and the letter on economic aid (see *infra*). Ambassador Johnson concurred after "considerable discussion," noting: "Believe last substantive paragraph Secretary's letter particularly timely and its public release now will be useful here." (Department of State, Central Files, 792.00/12-2258)

508. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, December 22, 1958.

1557. There follows text of letter from Ambassador on economic aid handed to Marshal Sarit today:

"Knowing of your deep interest in resources available for economic development of Thailand, I have kept appropriate Thai officials informed of financial assistance provided by my govt. Recently I was able to inform these officials of grant this fiscal year (July 1, 1958-June 30, 1959) of \$4 million for technical assistance. Now I am pleased to advise you that my govt has provided an additional \$20 million of Defense Support funds this FY as a grant for economic development assistance. These grant funds are, of course, in addition to US military assistance to Thailand. This assures that Thailand and US will maintain present level of activity in this area and move forward with many projects so useful in economic development of your country.

US is giving increased emphasis to use of DLF resources for assisting in economic growth of free nations. Nevertheless, grant assistance to Thailand under TC and Defense Support continues this FY at same level as last year.

In addition to this, I have already transmitted to MEA DLF's commitment to finance, on dollar loan repayable in baht, \$20 million foreign exchange costs of modern electric distribution system for Bangkok. Likewise I have communicated to MEA commitment of Ex-Im

¹ Source: Department of State, Central Files, 792.5/12-2258. Unclassified; Priority.

Bank to provide \$14 million loan for dollar costs of modern 75,000 KW thermal electric plant for Bangkok. Signature of these loans now only awaits approval of loan agreements by MEA and MFA.

In recognition of Thailand's regional importance in SEA, as you know, my govt has, in addition, appropriated \$17 million for constructing throughout Thailand telecommunications system which will also link Thailand with similar systems in Laos and Viet-Nam. Of this amount, \$10 million is grant and \$7 million is baht repayable dollar loan. Both \$1 million SEATO skilled labor program and Chulalongkorn Graduate School of Engineering to which US is contributing \$400,000 are to be established in Thailand. Moreover, Thailand will share generously in benefits from \$2 million US contribution to Mekong River survey, regional English training program costing \$1.5 million and \$560,000 oceanographic survey of waters joining Thailand with RVN.

I hope that this will be helpful in carrying out plans of Thailand's economic development."

Johnson

509. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, December 22, 1958—5 p.m.

1561. Sarit's appearance at my meeting with him this morning fully confirmed previous [*less than 1 line of source text not declassified*] reports that he is again drinking and his physical condition again deteriorating. His breath smelled of liquor, his eyes were dull, his legs and ankles seemed to be somewhat more swollen than last time I had seen him and his shoelaces were untied, presumably because of swelling of ankles. Mentally he had difficulty concentrating and contrary usual custom in past asked that most of what I said be interpreted.

He received me at his private home and was about 50 minutes late for appointment because of late arrival from Europe of plane upon which his son was returning. Both Khunying Vichitra and son were with him when he arrived.

Thanat Khoman and Chote Gunakasem were both present at interview although I had given no previous indication of intention other than deliver Secretary's letter. However, as any further delay informing TG of FY '59 DS level would have resulted in cutting back

¹ Source: Department of State, Central Files, 792.551/12-2258. Confidential; Limit Distribution. Repeated to CINCPAC and CINCPAC POLAD.

some existing USOM projects, I had decided to take advantage interview to inform Sarit not only of DS level but to recapitulate in most effective manner possible whole of our economic assistance. In spite of his condition, Sarit's reaction was enthusiastic in extreme. Upon completion of translation of letter by Thanat, Sarit suddenly stood up, took me by both hands and appeared to be prevented from embracing me only by table which stood between us. He said that for first time he really understood all that we were doing for Thailand and wanted Thai people to know and asked my permission to release copy of letter to which I agreed. He also made several extravagant statements concerning my understanding of Thailand and its problems.

In view of his condition I did not think it profitable to initiate discussion of any other subjects and invited him to raise any matters he desired discuss. After some proddings by Thanat and Chote, he said he would appreciate my looking into the possibility of Thailand obtaining a \$2½ million loan from US yen funds in Japan to purchase additional generators and some fishing boats. He also mentioned subject of power barges as emergency supplement to Bangkok power requirements. He seemed satisfied my explanation technical impracticability power barges, including different cycles, and inability present distribution system absorb more power. I promised look into matter yen loans with which I entirely unfamiliar. Despite my repeating my invitation raise any other matters and some whispered conversations among Chote and Thanat, Sarit did not do so. Thus feel that we are in very favorable position of Sarit having personally indicated to me his satisfaction with economic aid programs and not having made any additional requests.

During past week or so, I have had indications Thai dissatisfaction and Sarit concern with our not having informed them of fiscal year '59 DS aid level. (They well know we have done so in other countries.) Therefore, believe Thanat and Chote presence this morning indicated intent raise this matter with me but presentation my letter on economic aid forestalled it and that entire matter has worked out in very satisfactory manner.

Johnson

510. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, December 23, 1958—5 p.m.

1577. Department will note from Embtel 1575² Secretary's letter to Sarit given distorted interpretation. This arose from slight twist given to translation of last paragraph Secretary's letter which was still further twisted in RP press release which was released along with letter, neither twist being very serious in itself but combination of two resulting in serious distortion sense Secretary's letter. I am, of course, seriously concerned that this has taken place and will so indicate but do not believe it would be profitable enter into any public controversy with Sarit over matter. However, have immediately released English text of letter (Thais having released only translation) and am pointing out to inquirers English text does not support RP press commentary.

However, handling of economic aid letter has been very satisfactory and reactions have been good. To take full advantage of this opportunity, USIS has released background facts sheet amplifying information given in letter and also containing edited version of portion of "what has been done" and "what is being done" contained in Embassy despatch 278.³

Johnson

¹ Source: Department of State, Central Files, 611.92/12-2358. Confidential.

² In telegram 1575, December 23, Ambassador Johnson reported that the Thai press had placed heavy emphasis on U.S. "gratification" at Sarit's "reforms" in Thailand as well as his efforts to "improve" the country in a short time. These Thai press stories appeared in connection with release of the exchange of letters between Sarit and Dulles and Johnson's letter on U.S. assistance to Thailand. (*Ibid.*, 611.92/12-2358)

³ Despatch 278, October 28, transmitted a summary of U.S. aid to Thailand. (*Ibid.*, 792.5-MSP/10-2858)

511. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, January 29, 1959—noon.

1891. [2 paragraphs (11½ lines of source text) not declassified]

¹ Source: Department of State, Central Files, 792.03/1-2959. Secret; Limit Distribution.

King still intensely interested in paying State visit to US in Spring 1960.

Foregoing conversation took place during USIS function opening Lincoln Sesquicentennial attended by King last night.

Johnson

512. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, January 29, 1959—5 p.m.

1898. Thanat Khoman told me today that he had seen Sarit this morning and that he was actively carrying on business from his bed. In response to my question he said he did not think there was any question but that Sarit would be appointed Prime Minister under constitution promulgated last night. (Details constitution by subsequent telegram.)² Thanat expected constituent assembly would be appointed in next few days and formation of government would be completed by middle next week. Said looked as if Chote would get Ministry of Finance. Did not know whether Chote would give up his position as Governor Bank of Thailand or attempt hold both positions concurrently. Said Sarit aware of opposition in Thailand to Wichit and his low esteem Bangkok Diplomatic Corps. Therefore would probably not give him cabinet post but possibly he would be made "executive secretary" of "executive office of Prime Minister" established by order issued together with constitution. Appears this will be a key position under new set-up. According to Thanat Chote assisted in drafting order establishing office, patterning it after his knowledge of US President's executive office. Wichit would be "the Sherman Adams" of Thailand. Thanat showed no enthusiasm for having Wichit in this position.

Johnson

¹ Source: Department of State, Central Files, 792.03/1-2959. Secret; Limit Distribution.

² Reference is to telegram 1901 from Bangkok, January 29, which, in addition to outlining in some detail the provisions of the new Constitution, contained Ambassador Johnson's observation that the Constitution allowed Sarit to operate as he had for the past 3 months: "Note that extraordinary orders or actions need not receive approval of Assembly." (*Ibid.*, 792.03/1-2959)

513. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, February 12, 1959—10 a.m.

2042. Department telegram 1711.² RTAF, particularly Marshal Chalermskiat, will be bitter over failure provide jet planes FY 1960. Chalermskiat will lose no opportunity express his feelings to Sarit and anyone else in RP who will listen. However, believe Sarit and others will be disposed judge nonscheduling jets in context total US aid program. If Thai believe total aid FY 1960 inadequate, failure provide jets will serve as additional irritant.

This connection Embassy noted one year ago (Embassy telegram 2048, January 16, 1958)³ that Thai operated propeller-driven fighter-bombers becoming increasingly difficult maintain and need replacement. At such time as replacement effected, believe adverse political reaction here would be very strong unless jets are supplied. This well-aware US furnishing F-86 and even more modern aircraft to other Asian allies.

Re timing replacements, Embassy wishes make following observations:

Program refinement instructions to JUSMAG from DOD give as objectives proposed FY 1960 program: maintenance of effectiveness of MAP-supported forces, replacement of overage or nonsupportable equipment and provision of limited force improvement which is of special political or strategic significance. (See also paragraph 53, OCB Operations Plan for Thailand, January 9, 1959.)⁴ Continued equipping of two of three MAP fighter-bomber squadrons of RTAF with F-8-F propeller-driven aircraft is certainly not consistent with these objectives. Furthermore, as F-8-F aircraft are on life-of-type support at present time, their phase-out is insured within 12 months. In effect, failure to supply additional more modern aircraft to RTAF in FY 1960 or before will leave them with only one active fighter-bomber squadron as present F-8-F equipped squadrons become inactive. This likewise hardly consistent with JCS-approved force objective of three effective, combat-ready fighter-bomber squadrons.

¹ Source: Department of State, Central Files, 792.5-MSP/2-1259. Secret. Also sent to CINCPAC for POLAD.

² Telegram 1711, February 4, informed the Embassy that no jet airplanes were included in the fiscal year 1960 military assistance for Thailand. (*Ibid.*, 792.5-MSP/2-459)

³ Not printed. (*Ibid.*, 792.5/1-1658)

⁴ Not printed. (*Ibid.*, OCB Files: Lot 62 D 430, Thailand)

RTAF was advised in Washington and again during visit to Thailand of Deputy Assistant Secretary Defense (ISA) in November, that unless utilization of its jet aircraft improved materially Thailand could expect receive no more jet aircraft. JUSMAG advises that average monthly aircraft utilization for 1957 was 226 hours and for 1958, 301 hours. More significant is effort made in past five months presumably in response to the warnings. Utilization of jets in September 286, October 385, November 572, December 636 and January 500 hours. Failure to program jet aircraft in FY 1960 will certainly look to Thais like breach of faith, as they expect as corollary to improved utilization which they have now shown, provision of some jets to replace their obsolete conventional aircraft.

Further and most important, unless jets are programmed in FY 1960, JUSMAG will be without any leverage to press for better training and utilization. Deliveries can be withheld until performance is assured only if jets are in the program. Programming however does not insure that they will be delivered.

While RTN would presumably be happy accept minesweeper, doubt that any Thai military would regard this as adequate substitute for jet squadron. Provision destroyer escort FY 1959 will also help offset impact failure provide jets but will of course not make RTAF any happier. Would also soften blow if we could indicate US still planning furnish jets as replacement for F-8-Fs at some future time. While Embassy of course not in position make judgment as to type aircraft RTAF should have in future we feel that desire to have reasonably capable air arm is entirely understandable and justified. In this connection, Thais well-aware SEATO does not guarantee automatic and immediate US air support.

Also, believe it important bear in mind Thailand's unique position in area as member SEATO and supporter US foreign policy objectives and understandable sensitivity over very small magnitude US aid as compared with other countries in area. To maintain Thailand's exceptionally cooperative attitude toward US requires nurturing on our part and responsiveness to proper and reasonable Thai expectations. Chief JUSMAG concurs in foregoing.

Johnson

514. **Memorandum From the Assistant Secretary of State for Far Eastern Affairs (Robertson) to the Acting Secretary of State¹**

Washington, February 13, 1959.

SUBJECT

Restoration of Constitutional Government in Thailand

After over three months of ruling Thailand without benefit of a Parliament or Constitutional procedures, Field Marshal Sarit's "Revolutionary Party" has restored normal governmental procedures in Thailand by establishing 1) an interim constitution; 2) a constituent assembly; and 3) a cabinet.

The *interim constitution*, promulgated January 28, 1959, describes the King as Chief of State with sovereignty emanating from the people and provides for a constituent assembly with usual parliamentary privileges; a cabinet whose members are excluded from assembly membership; countersignature of laws, royal rescripts, etc., by a cabinet minister; and special power for the Prime Minister to suppress actions jeopardizing national security. Assembly approval is not required for actions taken under these special powers, and Sarit can operate essentially as he has since October 1958, but in constitutional garb.

The *constituent assembly*, formed on February 3, will also serve as national legislature pending promulgation of a permanent constitution (probably a year or more from now). It is a unicameral body of 240 members nominally appointed by the King but selected by Sarit. Of the 75% of the members who have military positions, almost all are in Bangkok area. The Assembly also includes a number of reputable career officials, some of Phibun's followers, a few journalists (including two leftists), but no professional leftist politicians and only two minor members of the conservative opposition. So long as the military oligarchy maintains unity, its control over the Assembly appears unchallengeable, whether or not Sarit dies or becomes incapacitated. Thus, the parliament has once again been remolded to conform to the actual power situation in Thailand.

The *Cabinet*, appointed by the King on February 10, is led by Sarit who was "elected" Prime Minister by the Assembly the preceding day. It is a competent government, consisting of four army officers (including Generals Thanom and Praphat),² and ten former civil officials (most of whom are well and favorably known by US representa-

¹ Source: Department of State, Central Files, 792.03/2-1359. Confidential. Drafted by Bushner.

² Thanom was named Deputy Prime Minister and Minister of Defense; Praphat became Minister of the Interior.

tives). Inclusion of Prince Wan as a second Deputy Prime Minister is probably a face-saving gesture to permit his utilization for international tasks.³ Sarit reportedly intends to depend for thinking and planning upon special committees set up since October 1958, which will report to the "Executive Office of the Prime Minister." Absence of constitutionally imposed responsibility to the Assembly provides considerable insurance against political frictions at least within the Cabinet.

Comment

Sarit has now completed his plan for the establishment of a strong executive unhampered by the necessity of coping with an elected parliament. The new institutions appear to afford a constitutional framework for a relatively stable government in the immediate future. Together with the recent appointment of Thanom as Deputy Supreme Commander of the Thai Armed Forces, the new institutions also create conditions which would permit an orderly transfer of power to Thanom and Praphat should Sarit collapse.⁴ So long as the latter's health does not deteriorate further, it is unlikely that his authority will be challenged, although factionalism within the military group will continue to be an unsettling factor.

On the basis of present intelligence we do not foresee a loss of power by the military group for some time to come. At the same time, restrictions on freedom of expression, which have now been given legal status by the special powers conferred upon the Prime Minister in the Constitution, conflict with a trend toward political awareness which had been developing in Thai urban centers. Should these restrictions become so oppressive as to prevent an outlet for the government's opposition, some elements of this opposition might succumb to subversive influences.

³ Prince Wan became a Deputy Prime Minister with no portfolio. Thanat Khoman was named Minister of Foreign Affairs.

⁴ On February 23, Sarit underwent surgery. His post-operative recovery was reported to be excellent. (Telegrams 2141 and 2147 from Bangkok, February 23 and 24; Department of State, Central Files, 792.13/2-2359 and 792.13/2-2459)

515. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, March 3, 1959—noon.

2226. CINCPAC also for POLAD. Chief JUSMAG has just brought my attention following situation which affects proposal provide Thai either minesweeper or jet squadron FY 1960.

JUSMAG FY 1960 program requested \$32.2 million, including under major material (in which category jets and minesweepers fall) \$13.8 million. I have recently received indications some \$9 million already deleted, leaving \$4.8 million for major matériel. Offset against this \$4.8 million is a CINCPAC directed long-haul communications system (1 million) and radar (2.2 million) having high priority claim as it is part of regional communication program. This leaves balance of \$1.6 million for major material for the three service programs for 1960.

FY 1958 MAP exclusive of local currency was \$11.4 million. FY 1959 MAP is presently \$8 million overall with FY 1960 figure of \$11 million now included in presentation to Congress. Chief JUSMAG advises Philippine program FY 1960 over \$20 million and Burma program \$19 million plus. He estimates Thai FY 1960 figure, FY 1959 figure, will shrink to 8 or less million dollars after completion of legislative and budgetary processes.² Further, guidance for refinement of FY 1960 program certain restrictive provisions have been announced which will undoubtedly cause severe unfavorable reactions from Thai when announced to them, as will have to be done. Examples of these provisions are: (A) provision of POL for use in SEATO exercises only and thence it must be covered by deleting other items of like value from program,³ (B) delivery of Navy craft and minesweeper contingent on further deactivation of non-MAP supported vessels, and

¹ Source: Department of State, Central Files, 792.5–MSP/3–359. Secret. Also sent to CINCPAC.

² Telegram 1988 to Bangkok, March 4, requested a clarification of this sentence. Telegram 2273 from Bangkok, March 6, reads as follows: "Chief JUSMAG advises during refinement conference, CINCPAC team pointed out \$11 million is asking figure for Thailand in presentation to Congress. Based on previous experience, asking figure almost always reduced." (*Ibid.*, 792.5–MSP/3–659)

³ In telegram 2331 from Bangkok, March 13, Johnson reported that he had been advised by the Chief of JUSMAG that POL programmed at \$1.5 million for the Thai Armed Forces in the fiscal year 1959 military assistance program was scheduled for deletion by the Department of Defense. Johnson pointed to the adverse effects this would have on Thailand's state of readiness and the serious adverse political reaction if the POL aid were abruptly removed. (*Ibid.*, 792.5–MSP/3–1359)

In response, the Department informed the Embassy in telegram 2230, April 6, that the Department of Defense had indicated it was authorizing inclusion in the fiscal year 1959 military assistance program for Thailand of \$600,000 for POL. (*Ibid.*, 792.5–MSP/3–1359)

(C) RTA force improvement deferred until Thai eliminate non-essential, non-MAP supported units such as their Cavalry Division and AAA division.

From Thai viewpoint this all adds up to diminishing program which is and has been among smallest in SEA. While they will not know dollar values, they can easily interpret item content and deduce that in FY 1961 they are at bottom of list with increasingly irritating restrictions being placed on their program.

I cannot express too strongly my deep concern over this trend which also appears to be indirect contradiction our national policies as set forth by NSC and OCB. I have already given Department my views on legitimate expectations our Thai ally that we provide reasonably modern military equipment and my firm conviction that we have an obligation to them to satisfy these legitimate expectations (Embassy telegram 2042).⁴ Thailand's positive support major US objectives in SEA and elsewhere too well known to require repeating here. If our intention were to undermine our favorable position in Thailand, I can think of no better way to do it than to tell them, in effect, that they will continue be our lowest priority in area in military and economic support field. While I of course cannot pass judgment on desirability providing Philippines third jet squadron FY 1960, Thai will certainly invite comparison between Philippine program and failure replace obsolete Thai F 8 F squadrons. Substitution of jet squadron for mine-sweeper is inadequate stop-gap measure. Chief JUSMAG informs me that RTN mission requires minimum six minesweepers whereas they have only three now. Hit-and-miss juggling between service programs is not way to satisfy legitimate Thai expectations in field military support.

I recognize Department and other interested US Government agencies must face realities imposed by competing demands for US aid and limitations on financial and other resources available to meet these demands. However, my chief concern is to preserve and develop inestimable advantage we have in area provided by Thailand's pro-US pro-West attitude. If we give Thai impression we assume their continued full cooperation without taking account their legitimate requirements, at same time providing greater aid to less dependable countries, I fear they will draw only one conclusion. If, as result, Thailand should decide best way to obtain US aid is to be less forthright in support US policies, we would have only ourselves to blame.⁵

Johnson

⁴ Document 513.

⁵ On March 18, Johnson wrote to Admiral Harry Felt, Commander in Chief, Pacific, expressing further concern over the adverse political effects of proposed cutbacks in the military assistance program to Thailand. (Department of State, Central Files,

516. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, April 10, 1959—8 a.m.

2541. Bernard Kalb *New York Times* informed Embassy wired story last night reporting his interview Deputy Prime Minister Thanom. Kalb reports Thanom stated Thailand would like \$60 million grant aid for economic development. This in addition to current economic aid program. Also would need military equipment for 15,000 non-MAP troops. Thanom stated that many neighboring countries seemed to receive much more aid from us than did Thailand even though these neighboring countries are less close US than Thailand.² Thanom said Sarit during Washington visit last year raised this matter with American authorities but according Thanom was told that US was unable increase its economic program to Thailand but would continue at present level.³

Unger

792.5–MSP/3–1859) Admiral Felt responded on March 30 that he shared Johnson's concern. "It was with this in mind that after reviewing the FY 1960 program proposed by the Department of Defense I recommended a substantial increase in the program for Thailand. You will realize, of course, that CINCPAC recommendations are subject to review first by the Defense Department and other executive agencies and finally by the Congress." (*Ibid.*, FE/SEA Files: Lot 62 D 221, Official–Informal Correspondence)

¹ Source: Department of State, Central Files, 792.5–MSP/4–1059. Official Use Only.

² At the Fifth SEATO Council meeting in Wellington, April 8–10, Parsons discussed the question of U.S. aid to Thailand with Foreign Minister Thanat Khoman on April 9. Khoman characterized U.S. aid as "insufficient" and objected to what he felt was the U.S. tendency to favor neutral nations over those, such as Thailand, which supported the United States and joined SEATO. (Memorandum of conversation by Parsons, April 9; *ibid.*, Conference Files: Lot 64 D 560, CF 1253)

³ The Department of State responded in telegram 2278 to Bangkok, April 13, as follows: "Assume Embassy at its discretion using best efforts informally discourage Thai officials at appropriate levels from presenting additional requests of magnitude apparently mentioned by Thanom." (*Ibid.*, Central Files, 792.5–MSP/4–1059)

517. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, April 22, 1959—6 p.m.

2634. Foreign Minister told me ICRC delegate has returned from Hanoi with Viet Minh acceptance "in principle" of Thai proposal on repatriation Vietnamese refugees. As I understand it, this was: (a) Thai screening of refugees under ICRC observation; (b) "sharing" costs repatriation; and, (c) property matters to be settled in accordance with Thai law and consultation with ICRC. Hanoi now having accepted "in principle" Thai conditions, it is renewing proposal for meeting of Red Cross Society representatives "to work out details".

Foreign Minister indicated considerable skepticism concerning degree to which Hanoi has in fact accepted Thai conditions and also indicated continued desire avoid meeting of Red Cross Societies. However, had not yet reached any decisions on next move.

Foreign Minister also told me no reply had been received from Saigon on last Thai note proposing GVN accept those refugees willing to go there.

Australian Ambassador (Waller) also informed DCM of conversation this subject with Tran Van Dinh, Consul General South Vietnam, Rangoon, who was returning from SEATO meeting via Bangkok. Dinh mentioned suggestion made during discussion Canberra at Foreign Office that when some appropriate South Vietnam minister next has occasion stop off Bangkok en route further destination he might review refugee problem with Thai officials in effort come to better agreement and he said South Vietnam giving suggestion serious consideration. From Dinh's remarks appeared South Vietnam remains unready state willingness accept refugees and still strongly opposes Thai contacts, even via ICRC, with North Vietnam on grounds smacks of recognition.

Johnson

¹ Source: Department of State, Central Files, 292.51G22/4-2259. Confidential. Repeated to Saigon and Tokyo.

518. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, May 19, 1959—7 p.m.

2896. I spoke to Foreign Minister Thanat today along lines Deptel 2534 (repeated Saigon 1820, Tokyo 1732, Seoul 554).² Thanat said he discussed Japanese experience with Japanese Red Cross delegation Geneva and was given understand main point at issue with NKRC was latter's insistence on sending representatives Japan to observe or otherwise participate in screening repatriates. (Thanat not entirely clear as to precise role such representatives would have.) JRC representatives did not indicate ICRC's screening was an issue. Thanat confirmed that Thai Government plan, presented DRV through ICRC, provided for Thai Government screening with ICRC observation. Said ICRC had sought assurances Vietnamese not desiring go to North or South Vietnam be permitted remain Thailand. Thanat said he could not give such assurances but with Cabinet approval gave ICRC letter stating force would not be used in repatriation Vietnamese refugees. Thanat also said he will seek tomorrow obtain reversal Thai Government decision conversations between Thai RC and DRV RC to be held in Geneva. Both he and ICRC prefer Rangoon on grounds latter does not offer same advantages to Communists should they seek exploit conversations for propaganda purposes.

Thanat said GVN protested to ICRC about a month ago against its playing any role in Vietnamese refugee problem on grounds that GVN considers all Vietnamese in Thailand are GVN nationals; DRV therefore has no right negotiate over them. Thanat said Thai Government has heard nothing directly from GVN this score.

In reply my statement USG would find it very difficult justifying use funds to assist repatriation refugees to Communist-controlled area, Thanat said he hoped we would look at matter from standpoint desirability removing dangerous, hostile Communist group from Thailand. I told him this was firm position USG but if at some appropriate future

¹ Source: Department of State, Central Files, 292.51G22/5–1959. Confidential. Repeated to Saigon, Seoul, and Tokyo.

² In telegram 2534, May 15, the Department urged upon Johnson the need to convey to Thanat the importance which the United States attached to resolution of the Vietnamese refugee question. Johnson was also to make clear U.S. wishes to give the ICRC a primary role in screening the Vietnamese imprisoned by the Thai authorities. Finally, the Thai were to be told that while the United States would have serious difficulty in justifying use of funds for assistance to a repatriation program under which refugees would be sent to Communist-controlled areas, it would consider supplementing expenditures for a program of voluntary resettlement in South Vietnam. Johnson was to make clear, however, that this was not a commitment to provide such assistance. (*Ibid.*, 292.51G22/5–1559)

time he had concrete proposals to make, I would of course transmit them to the Department. However we both agreed matter entirely theoretical at this time.

Johnson

519. Editorial Note

An agreement concerning the loan of a U.S. destroyer escort to the Thai Navy was effected by exchange of notes in Bangkok on May 19. For texts of the notes, see 10 UST 1003.

520. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, May 28, 1959—1 p.m.

2991. Deptel 2331, repeated information Hong Kong 1782.² Numbering corresponds numbered paragraphs referenced telegram.

1. British chargé Adams reports reaction Hong Kong Government, Foreign Office and Embassy Peiping to Pridi approach as follows: Hong Kong [*1½ lines of source text not declassified*]; Foreign Office [*1 line of source text not declassified*]; Peiping defers to others' views. Steps have been taken inform Pridi of substance of foregoing. Re Pridi "refusal" at time Dien Bien Phu, Adams gives Pridi family as source of story which, he says, lacks confirmation any other source. Furthermore, precisely what Pridi "refused" at that time not clear to Adams, except that ChiComs allegedly displeased with Pridi ever since.³

¹ Source: Department of State, Central Files, 792.00/5-2859. Secret; Noform; Limit Distribution. Repeated to Hong Kong.

² Telegram 2331, April 20, commented on a previous Embassy report in telegram 2469 from Bangkok, March 31, to the effect that word had been received of Pridi Phanomyong's alleged desire to leave the People's Republic of China. (Both *ibid.*, 792.00/3-3159)

³ Telegram 2469 noted Pridi's alleged refusal at the time of Dien Bien Phu to lead a movement into Thailand for fear of precipitating fighting among the Thai.

(Re FYI portion paragraph 1. [*1½ lines of source text not declassified*]) Adams has given straight-forward account his attitude toward Pridi and likelihood his return Thailand and since Adams served Thailand at time Pridi flight, knew Pridi well and keenly interested in "Pridi story" which he follows closely, believe his views given considerable weight both in British Embassy here and in Foreign Office. Adams believes Pridi has aged considerably, disillusioned with Communist China and wishes return home. Terming case "classical tragedy" Adams said Pridi man of great personal magnetism and only Thai who ever had constructive program for Thailand. Moreover, he aided "us" greatly during World War II. Should Pridi return, many of former associates would rally around him and he would again have considerable political influence. Forthright anti-Communist stand present Thai Government, however, makes his chances return slimmer than ever. Furthermore, while ChiComs would naturally expect quid pro quo in letting Pridi leave, Pridi probably capable outsmarting himself, foregoing résumé and from statement UK Government not prepared grant Pridi asylum "at this time", can be surmised British harbor somewhat nostalgic memories Pridi and subscribe view he not under Communist influence but believe time not ripe to consider steps leading to his ultimate return Thailand. Does not appear, however, British inclined underestimate Pridi influence here, though they obviously differ from us in evaluating damage his return might do Western interests.)

2. In several conversations with UK Embassy this subject, we have not gained impression British curious about our attitude. Would appear, on balance, British would not be sorry see Pridi return and should he do so, might hope through him exert greater influence over Thai Government than at present. Since British have decided for time being against encouraging Pridi leave Communist China, no need now attempt influence their attitude.

3(B).⁴ Concur. However, as reported [*less than 1 line of source text not declassified*] many of Sarit's close followers continue press for Pridi's return and some possibility exists Sarit might yield to these pressures for one reason or other.

⁴ This section of telegram 2331 reads: "Doubt [Thai] regime would permit Pridi's return under present circumstances, but cannot discount possibility his return in event Sarit should leave scene."

C. Concur.⁵

D. Concur.⁶

Johnson

⁵ In this section, the Department expressed the belief that the Chinese would not permit Pridi's departure unless they felt it would be in their interests.

⁶ In this section, the Department offered the view that since Pridi's departure from China could not be prevented once the Chinese gave permission, his accommodation in a British possession might be the "least undesirable" of the various possibilities.

521. Airgram From the Embassy in Thailand to the Department of State¹

G-234

Bangkok, June 12, 1959.

Counselor Khoi, Vietnamese Embassy, Bangkok, arranged meeting with DCM² and Tran Van Dinh, Vietnamese Consul General, Rangoon. As expected, purpose was to express serious concern over Thai decision have Thai and DRV Red Cross meet in Rangoon June 15 and effect this must have on Thai-South Vietnam relations. Both emphasized this particularly inopportune moment in view tensions over Laos situation and forthcoming South Vietnam elections. South Vietnam Govt will be attacked by opposition for failure to dissuade Thais from what amounts to recognition of DRV. Moreover, millions in DRV sympathetic to South will be confused by Thailand's willingness treat with North. Tran Van Dinh said he must react in Rangoon when talks take place and will be difficult avoid criticism Thai Govt.

Khoi explained his concern primarily on grounds since his arrival here several months ago he has worked slowly to persuade Thai officials to reconsider present policy and agree to Thai-South Vietnam joint program, using agents from South Vietnam, which would re-educate bulk of Vietnamese refugees so that eventually their repatriation South Vietnam would be possible. He believes important Thais have seen force of his arguments and he might ultimately be successful were it not for scheduled Rangoon meeting which will so embitter atmosphere that he feels his Govt will no longer be willing undertake constructive joint program.

¹ Source: Department of State, Central Files, 292.51G22/6-1259. Confidential. Repeated to Saigon, Rangoon, and Vientiane.

² Leonard Unger.

Impression given by both men was that Thai-South Vietnam relations have been growing tenser, one evidence being blow-up of Korat incident (Embtel 3039, June 2)³ and that Rangoon meeting will precipitate real deterioration in relations. In addition everything else they feel Rangoon discussions cannot accomplish anything for Thais and many Thais realize this so that serious damage to South Vietnam relations being risked without promise any other benefits.

DCM acknowledged uncertainty any useful outcome Rangoon meeting and said Embassy had on past occasions pointed pitfalls out to Thai Govt. Thai Govt has obviously decided proceed with talks and he doubted they could be dissuaded now. Recognized South Vietnam concern but pointed out security problem facing Thai Govt and reminded them absence thus far any constructive alternative suggestions from South Vietnam. Said if South Vietnam Govt could now state in principle that after some kind of reorientation program, it prepared take substantial number refugees this would probably be constructive move. Expressed hope in any case that South Vietnam reaction would be restrained and not damage continuing good relations with Thai Govt.

Johnson

³ In telegram 3039, the Embassy reported that it had been unable to identify an alleged incident involving the killing of 60 Vietnamese refugees by Thai military forces. It stated that the allegation was probably based on erroneous press stories relating to an entirely separate incident which had nothing to do with the refugees. (Department of State, Central Files, 292.51G22/6-259)

522. Letter From the Ambassador in Thailand (Johnson) to the Director of the Office of Southeast Asian Affairs (Kocher)¹

Bangkok, June 19, 1959.

DEAR ERIC: I have received and carefully studied your letter of June 11 on the Thai opium problem.²

As you know from our previous correspondence I have been extremely interested in looking for ways in which we would at least be able to make a start in doing something about this repellent business. I am particularly disappointed that the arrangements for the stationing

¹ Source: Department of State, Central Files, 892.53/6-1959. Secret; Official-Informal.

² Not found in Department of State files.

of a US Customs Service man in Bangkok, that I discussed with Mr. Strubinger,³ have not yet worked out. I and other members of the staff, particularly Bob Jantzen,⁴ always take advantage of the opportunities we have in conversations with Praphat and others to give them to understand that we are aware of the opium traffic and regard it with much disfavor. However, it has not been possible for us to utilize the very extensive and valuable information [*less than 1 line of source text not declassified*] developed in this field because of the sensitivity of the sources.

While, as Chang Lan-chen claimed, I believe that there is a certain amount of sincerity on Sarit's part in suppressing opium consumption in Thailand, I do not believe that it necessarily follows that there is a corresponding interest in suppressing the very lucrative traffic from and through Thailand to other countries. In fact, I am inclined to believe that with the present reduction of revenue from other sources resulting from his anti-corruption campaign, he and the military group are now more dependent than ever on the profits from opium exports.

Thus we must separate the opium problem in Thailand into two aspects which are somewhat separate from each other. The first is the question of the growing and consumption within Thailand and the second is the traffic through Thailand of opium grown in the Burma-Laos-Communist China triangle for which Thailand is the natural export route.

I am inclined to believe that the latter problem is the largest and most difficult for which to find a solution.

The experience of Iran has a certain amount of applicability to the first aspect of the problem, that is the growing and consumption of opium within Thailand. With the presently announced policy of the government I believe that we have a valid basis for making an approach to them offering our assistance, and I would be willing to do so. I would think that probably the best first step would be for me to offer to have Mr. Williams⁵ come out here to talk with them, discussing his experience in Iran. If they accept this and his talks went well we might offer to arrange for a Thai Mission to be sent to Iran. Alternatively, I would have no objection to first making the offer to send the mission to Iran, possibly thus enlisting their interest in having someone like Williams come to Thailand. However, I am somewhat inclined to feel that the first course is the most economical method of testing their real intentions.

³ David B. Strubinger, Assistant Commissioner, U.S. Bureau of Customs.

⁴ Robert J. Jantzen, First Secretary of the Embassy in Bangkok.

⁵ Presumably Maurice J. Williams, Program Officer with ICA in Tehran.

In this connection the Thai Government is showing every intent of cutting down consumption in Thailand by shutting down the opium dens as scheduled on July 1. Although they have set up special hospitals for the treatment of addicts it is my impression that they have thus far only scratched the surface of this problem. As far as the growing of opium within Thailand is concerned, Praphat spoke to me the other night about his efforts to get the hill tribes to grow substitute crops and I believe that they are doing something in this connection. In this regard, in respect to the points made by Mr. Williams, I am under the impression that in contrast with the apparent situation in Iran, opium production is for most of the hill tribes here a major source of income rather than simply an adjunct.⁶

With respect to the second aspect of the problem, that is the traffic through Thailand of opium grown elsewhere, I am not sanguine concerning the willingness of the military group to do anything about this problem. As I have mentioned, I believe that the military group is now more dependent than ever on the profits from this trade. Also the opium is produced in areas beyond the control of Thailand and outside the effective control of Burma and Laos. In this connection [*less than 1 line of source text not declassified*] a knowledgeable source estimates that over 300 tons of opium pass through the KMT area in Burma each year. If the KMT problem could be liquidated there is no doubt that it would do much to reduce the opium problem. However, there seems to be no hope of this. Alternatively if the market for opium could be cut off it would cut off the major part of support for the KMTs and thus probably make them more amenable to removal from their present area. However, as I mentioned, I am not hopeful that the market can be cut off.

Nevertheless, I certainly am willing to consider an attempt at making an attack on the problem if a proper base can be found. I believe that the best base would be to confront the Thais with evidence that opium passing through or originating in Thailand was reaching the United States. I realize that there may not be much evidence as I understand most of the opium is processed in Singapore, Macau or Hong Kong prior to shipment to the States. However I believe it would be worthwhile to explore with our narcotics people what they have in this regard. This would enable an approach to be based upon obvious US interest which would be readily understood, even by Sarit, rather than upon a moralistic base that I feel would not be very effective. However it might be better to wait to make such an approach until Williams' arrival, if the Thais accept him. If the Thais

⁶ A marginal note on the source text by Bushner reads: "But what necessities do they buy (certainly not basic food items) which they could not purchase by sale of other products which might well bring in almost as much as the pittance they are paid for opium."

do not accept him, we might then consider making such an approach. I am inclined to agree that a unilateral approach on our part would be preferable to a joint approach with the UK. As I mentioned, I have little hope of any success in this latter aspect of the problem but I am willing to try if we can get a good base for doing so that is not dependent upon our sources here.

Sincerely,

Alex

523. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, July 28, 1959—3 p.m.

208. In response DCM query Foreign Minister Thanat Khoman yesterday replied emphatically he would discuss Vietnamese refugee question during Saigon visit, for which he departs Bangkok July 30. As in past Thanat expressed impatience South Vietnam unwillingness agree any prompt effective action. He added Thais unwilling wait several years see solution this problem or arrange for South Vietnam come in to "brain-wash" refugees. DCM observed that although initiation some action toward solution urgently required, nature this problem suggests it may well require extended period achieve solution; added personal view South Vietnam may now have better appreciation Thai problem than earlier.

Thanat confirmed Thai-DRV Red Cross talks Rangoon to be resumed tomorrow. Reiterated his fundamental doubts any useful results but indicated DRV Red Cross has referred to possible return as many as 40,000 to North Vietnam. In separate conversation Foreign Office Under Secretary Prince Wongsu, who accompanied Thanat Rangoon, also mentioned possibility Thais would have to accept DRV representative in Thailand to participate in screening in connection any repatriation North Vietnam.

¹ Source: Department of State, Central Files, 292.51G22/7-2859. Confidential. Repeated to Saigon, Rangoon, Vientiane, Phnom Penh, and Tokyo.

Although we believe Thais do not expect results from Rangoon talks they may consider it useful keep them alive as pressure on South Vietnam during Thanat's discussions Saigon.²

Johnson

² Telegram 329 from Saigon, August 1, reporting on the talks in Saigon, indicated that the Thai had refused a South Vietnamese request to send a commission to Thailand to look into the condition of the refugees. The Vietnamese had also reiterated their position that the refugees had to be politically "purged" before progress could be made toward a solution. (*Ibid.*, 292.51G22/8-159)

524. Telegram From the Embassy in Burma to the Department of State¹

Rangoon, August 5, 1959—9 a.m.

125. Embtel 68, repeated Bangkok 6.² Doctor Chalerm, Thai Delegate to Thai-North Vietnam (NVN) refugee talks, told Embassy officers July 31 he expects finish talks by August 8.

Said while clear NVN main desire is to get "their people" into Thailand he did not think failure achieve this objective would cause the break off talks or allow them collapse at last moment. He reasserted his determination resist all attempts NVN find way introduce official mission into Thailand. As example said had achieved agreement screening potential repatriates would be done by Thai and ICRC with NVN participation limited to "observation" teams elected from Vietnamese already in Thailand who apt to return NVN. Thai would select such team and ensure they not capable applying duress.

Attempts by Embassy officers induce Chalerm be specific re status discussion disposal of property and financial arrangements for transportation unavailing. He agreed disposal of property is important problem. Said air and ocean transport had been agreed with, air for ill and aged. Cost charter flights direct to Hanoi (he mentioned Indian Airways and SAS as possibilities) would average 14000 ticals per head. Said both governments had agreed waive landing charges. Re ocean transport his only comment was "very expensive".

¹ Source: Department of State, Central Files, 292.51G22/8-559. Confidential. Repeated to Bangkok.

² Telegram 68, July 21, reported on the earlier stages of the refugee talks in which Chalerm was said to have characterized the negotiations as "tough." (*Ibid.*, 292.51G22/7-2159)

When asked about apparent differences between his remarks and Bangkok press items appearing from time to time re progress of talks he replied Bangkok usually about three days late in its information.

Comment: Doctor Chalerm seemed think had clear idea just where he and NVN stand. Said Communist tactics had been just what he had been told expect. Appeared fully aware political implications all matters discussed and of efforts by NVN obtain de facto recognition "their people". When Embassy officer asked Chalerm whether NVN would cause talks collapse he said thought they would not but suggested indecision whether Thai Government might do so, perhaps because of growing suspicion his part that Thai Government never prepared conclude agreement on limited terms he has been negotiating and which he now seems to consider within reach. Re repatriation to South Vietnam said "of course, this not Red Cross matter. We have relations with them and so matter should be taken up on government-to-government level".

Chalerm disclaimed any special personal interest in matter, saying he was picked accompany Durand of ICRC on earlier survey of refugee areas only because he spoke English and French and selected for present job on same basis.³

McConaughy

³ Telegram 160 from Rangoon, August 14, reported on the talks, which ended on August 14, as follows:

"In conversation with Emb officer, [Chalerm] said North Vietnamese apparently willing take all refugees who elect return there. Said no figure mentioned although preliminary Thai-ICRC survey indicated ninety percent of estimated 48,000 total would elect return. Gave affirmative response to probing re Thai readiness accept North Vietnamese mission in Bangkok in connection with repatriation. When asked what he thought of chances agreement being useful, replied not too hopeful." (*Ibid.*, 292.51G22/8-459)

525. Note From the Acting Secretary of State to the Thai Ambassador (Visutr Arthayukti)¹

Washington, August 6, 1959.

EXCELLENCY: Referring to Your Excellency's note No. 907/2502 dated July 17, 1959 regarding sales of rice by the United States to

¹ Source: Department of State, Central Files, 411.9241/7-1759. No classification marking.

Indonesia under Public Law 480,² I have the honor to make the following comments:

According to information received from the American Embassy in Bangkok, the Acting Minister of Economic Affairs informed the Embassy on December 19, 1958 that in view of the limited quantity involved, Thailand would not object to a proposed sale of 50,000 tons of rice to Indonesia. Later, on January 20, 1959 the Acting Minister added a qualification to the effect that Thailand wished to be assured that it would be able to sell to Indonesia in 1959 as much rice as it did in 1958.³ On March 4, 1959 the Embassy, acting on instructions, informed the Ministry of Economic Affairs that the United States Government would be unable to intervene directly with the Government of Indonesia in this matter. It was stated further that the United States is aware of Thailand's problems in disposing of rice in 1959 and, therefore, in disposing of surplus rice in Indonesia under PL 480, the United States would take special precautions against displacing exports from Thailand and other free world rice suppliers. With respect to the sale to Indonesia of an additional 75,000 tons of rice, the Embassy consulted with the Ministry of Economic Affairs in mid-April, 1959. In view of the condition of this sale that Indonesia import no less than 600,000 metric tons of rice from free world sources during calendar year 1959, the Embassy was informed that the Thai Government would not object to the sale. The Indonesian Government, subsequently, indicated that owing to prior commitments involving heavy rice deliveries in calendar year 1959, it could not accept a calendar year basis and suggested in lieu thereof, the twelve-month period beginning June 1, 1959. The United States agreed to this suggestion since it was felt that otherwise Indonesia would have been unable to accept the offer of 75,000 tons of rice. It was also felt that rather than purchasing for hard currency the equivalent amount of rice from Thailand, or other traditional suppliers, the Indonesian Government might have turned to other sources. Consequently, it would appear that the change of dates advances rather than affects adversely the interests of Thailand and other free world suppliers.

It should be noted that in setting a usual marketing requirement, the United States cannot, for obvious reasons, obtain assurances of specific purchases from specific countries. Rather, it can only establish a usual marketing requirement on a global basis. In this regard, it is believed that in view of Indonesia's current foreign exchange position the 600,000 ton figure required of the Indonesian Government is reasonable, assures the maintenance of opportunities for free world ex-

² The Thai note is not printed. (*Ibid.*, 411.9241/7-1759) For text of the Agricultural Trade Development and Assistance Act of 1954 (P.L. 480), as amended through September 6, 1958, see *American Foreign Policy: Current Documents, 1958*, pp. 1535-1538.

³ Namely 130,000 tons, according to the Thai note.

porters to sell rice to Indonesia and take into account the interests of Thailand as well as those of other free world suppliers of rice to Indonesia.

Your Excellency may be assured that the Department has welcomed receiving the views of the Thai Government in this matter as expressed in Your Excellency's note and in subsequent discussions; and will be glad to discuss this matter again at any time. Your Excellency may be further assured that the United States Government will continue to take special precautions with respect to PL 480 sales as they may affect Thailand.

Accept, Excellency, the renewed assurances of my highest consideration.

For the Acting Secretary of State:
G. E. Palmer

526. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, August 14, 1959—6 p.m.

353. Following is summary article *Bangkok Post* August 13 from "authoritative sources" on status Thai-DRV Red Cross negotiations in Rangoon for repatriation Vietnamese refugees:

Draft agreement for repatriation expected signed soon and movement to start immediately after, chiefly by sea, owing current situation Laos. TG will let DRV Red Cross representatives enter country "to cooperate in operation". Thai delegate to talks returned Bangkok and reported to cabinet August 11. Said DRV willing share cost with Thailand; DRV proposed evacuation rate 1,000 per month but on insistence Prime Minister Sarit Thailand will counterpropose 2,000; delegations agreed only Vietnamese volunteering go DRV would be evacuated, and "regular" residence Thailand would be permitted stay; DRV agreed accept in first group Vietnamese now under arrest for Communist activity, but would not object if Thailand wishes court trials. Thai delegate returned Rangoon August 12.

¹ Source: Department of State, Central Files, 292.51G22/8-1459. Confidential. Repeated to Rangoon, Saigon, Tokyo, CINCPAC for POLAD, Vientiane, Phnom Penh, Kuala Lumpur, and Manila.

Meanwhile, GVN reported still delaying evacuation refugees who wish go South Vietnam by insisting preliminary “brainwashing” (article explains term used by “high Vietnamese officials”) to eliminate any Communist ideas, and other measures which would hold up evacuation for year.

Article then quoted Interior Minister Praphat: “With us no other problem than getting Vietnamese out of country. We want evacuate in as just manner as possible. Red Cross societies of two countries will handle evacuation; governments will have nothing to do with it. If no new obstacle, agreement expected to be signed shortly in Rangoon.” Said in response DRV request Thailand will permit some of Vietnamese themselves (presumably refugees) to join staff of headquarters set up to direct operation. “If necessary for DRV Red Cross representatives come here to cooperate in operation, we will permit them do so. We want do everything make evacuation successful.” Regarding arrested refugees: “We want send them back in first lot. We will not try them in court.”

Comment: Embassy has not yet been able confirm accuracy of article, but on basis Rangoon telegram 137 (14 to Bangkok, not repeated other addressees)² and earlier conversations Thai officials here, assure it substantially correct account present status.

Appears DRV heading toward substantial propaganda, political and diplomatic success which will probably see DRV mission, albeit ostensibly Red Cross, installed SEATO capital for extended period. Even at evacuation rate 2,000 per month mission would be here at least one year before even half refugees evacuated, and probably considerably longer given possibilities for “reasonable delays” in getting physical movement started.

DRV “presence” Bangkok probably not appreciably add to Communist subversive capabilities, since Thai officials alert to problem and expected exercise surveillance. Some damage will, however, result from “recognition” by Thailand and increased respectability accruing to DRV to detriment of GVN. Moreover, if DRV plays hand well, can stretch repatriation over many months and halt or slow down operation at will by passing word among refugees to stop “volunteering” for repatriation, and in end there may, in fact, be no full solution refugee problem.

GVN reaction cannot be judged here, but we would expect at very least development undesirable tension Thai-GVN relations.

² Telegram 137 from Rangoon, August 10, reported on a conversation with Dr. Chalerm: “When asked whether Laos situation had affected talks replied ‘only indirectly’ and did not elaborate. Cheerful appearance conveyed impression he thinks he had done his job well.” (*Ibid.*, 292.51G22/8-1059)

For present, Embassy sees no US role beyond appropriate warnings to Thailand as occasions presented and perhaps continuation effort bring some cooperative attitude on part GVN. Any US efforts to divert Thailand from what appears to them to be reasonable prospect of eliminating an obvious threat to their security, threats sharpened by recent events in Laos, would place burden of alternate solution squarely on US.

Johnson

527. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, August 18, 1959—9 a.m.

376. In brief conversation with Doctor Chalerm (a Thai RC representative at Rangoon talks) last night, he confirmed that agreement has been reached on Vietnamese repatriation substantially along lines reported Embtel 353 to Department.² Additional to reference telegram, he stated DRV RC representatives not to constitute separate delegation but only members of joint committee to be formed with Thai RC. Agreement permits only two DRV RC members of joint committee both of whom named in agreement. While recognizing close link between DRV RC and government, Chalerm said he felt representatives named were "genuine" Red Cross men. DRV RC may make, with agreement Thai Red Cross, substitution of one of two men named. DRV Red Cross representatives will not be permitted travel to Northeast or leave Bangkok.

Committee for handling repatriation on spot in Northeast will include some representatives from among refugees.

Chalerm stated while it was realized DRV insistence on representation in Thailand motivated by desire pose as protector of Vietnamese abroad, Thai Government aware this pitfall and would do all possible

¹ Source: Department of State, Central Files, 292.51G22/8-1859. Confidential. Repeated to Rangoon, Saigon, Tokyo, Vientiane, Phnom Penh, Kuala Lumpur, Manila, and CINCPAC for POLAD.

² *Supra*. Telegram 168 from Rangoon, August 15, transmitted the operative sentences of a joint communiqué issued on conclusion of the talks. The repatriation would begin in January 1960. (*Ibid.*, 292.51G22/8-1559)

Airgram G-43 from Bangkok, August 19, contributed further information made public by Galan Amatayakun of the Thai Interior Ministry who had been an adviser to the Thai Red Cross delegation. (*Ibid.*, 292.51G22/8-1959)

to prevent. In response Chalerm's request for trucks to move refugees to railheads, I pointed out USG has no trucks here and referred him to Thai Armed Forces and other Thai Government agencies.

A few evenings ago, Foreign Minister indicated to me he had given up struggle in Cabinet to prevent DRV Red Cross representation in Bangkok, saying Cabinet was convinced this was price which had to be paid for repatriation agreement. In response my query he said he did not feel would have serious effect on Thai-GVN relations. He said while on Saigon visit unequivocally explained to both Diem and Mau such agreement DRV Red Cross inevitable in absence any positive move on part GVN. He indicated neither Diem nor Mau had reacted strongly, nor indicated any willingness substantially assist Thai in meeting problem. "Therefore present agreement will not be any surprise to them."

Johnson

528. Telegram From the Department of State to the Embassy in Thailand¹

Washington, August 18, 1959—1:42 p.m.

366. Ambassador is authorized to extend invitation through RTG to King and Queen of Thailand for ten day visit to United States at invitation of President. Late June 1960 has been tentatively set as approximate time during which visit could take place if this meets Their Majesties' convenience. Visit should begin on a Tuesday or Wednesday with first three days spent in Washington and remainder of time elsewhere in United States, depending on Their Majesties' interests and desires. Should King and Queen wish to remain in United States for longer period than ten day state visit, expenses beyond that period would be responsibility of RTG. Official party should not exceed ten persons.

¹ Source: Department of State, Central Files, 792.11/8-1859. Confidential; Priority. Drafted by Anthony C. Swezey; cleared by Assistant Secretary Parsons, Clement Conger of the Protocol Staff, and Under Secretary of State for Political Affairs Robert Murphy; and signed by Acting Secretary Dillon.

Further details concerning visit will be forwarded as soon as acceptance received. If Their Majesties accept, it is proposed make agreed simultaneous public announcements Bangkok and Washington but essential no prior publicity pending receipt royal acceptance.²

Dillon

² Ambassador Johnson reported that he formally extended the invitation to the King and Queen at an audience on August 27, following which the official announcement of the visit was made. (Telegram 429 to Bangkok, August 26, and telegram 490 from Bangkok, August 27; *ibid.*, 792.11/8-2659 and 792.11/8-2759)

529. Telegram From the Embassy in Vietnam to the Department of State¹

Saigon, August 29, 1959—noon.

662. GVN Foreign Office sent to Embassy August 27 full text its note August 22 to RTG protesting RTG–NVN Red Cross accord on VN refugees in Thailand.² Covering confidential message states copy note for information US Government because matter of interest free world as well as Vietnam and Thailand since United Front against communism in Asia placed in question.

Note expresses GVN keen disappointment with accord, and states RTG by negotiations and accord with NVN has ignored friendly relations with GVN and disregarded GVN efforts to find solution refugee problem.

Detailed summary given of GVN efforts to solve problem since opening of its legation in Bangkok in 1951 (including offer shortly after signature Geneva accords to accept all refugees wishing to go to SVN, request that rest wishing remain Thailand be accorded immigrant status, and proposal to open consulates in northeastern Thailand). Reference also made to renewal these proposals in December 1958 and to GVN insistence on neutralization VC cadres before start repatriation. These proposals said to have met same fate as earlier ones and RTG, instead of examining them, decided on removal all refugees from Thailand and started negotiations with Viet-Minh. Note declares GVN could not accept alternatives of repatriation all refugees or al-

¹ Source: Department of State, Central Files, 292.51G22/8-2959. Confidential. Repeated to Bangkok.

² Not printed.

lowing them to be evacuated to NVN. Reference made to proposals presented Thai Foreign Minister during recent visit, which remain unanswered.

Note also makes following points: RTG–NVN accord contrary accepted principles international law since RTG in establishing diplomatic relations with GVN accepted latter as jurisdiction over all Vietnamese in Thailand. Also contrary international refugee convention³ and Universal Declaration of Rights of Man. Repatriation under conditions of accord would injure refugees economically and would subject them to regime of terror in North Vietnam. Accord rather than attaining Thai objectives gives propaganda weapon to NVN by increasing its prestige among refugees and enabling it through dilatory tactics to draw maximum psychological advantage from existence of accord and presence two Viet-Minh observers in Bangkok. It will not prevent subversion since cadres will be left on spot or reinfiltred into Thailand.

Note concludes accord is highly regrettable because it ignores good relations between Vietnam and Thailand to advantage their common enemy—Communism.

Essence of note carried by Vietnam Presse. Complete text being pouched.

Comment: RTG–NVN accord and strongly worded GVN protest likely cause severe strain in GVN–RTG relations for some time. Lengthy summary GVN proposals over years for solution problem designed show GVN has taken constructive attitude toward question. Allusions conditions awaiting refugees repatriated NVN represent effort contain extent NVN psychological victory in achieving accord with Thai. Embassy agrees accord will not really solve subversion problem for Thailand.

Durbrow

³ Presumably reference is to the Final Act and Convention Relating to the Status of Refugees agreed to by the U.N. Conference of Plenipotentiaries on the the Status of Refugees and Stateless Persons in 1951.

530. Telegram From the Department of State to the Embassy in Vietnam¹

Washington, August 31, 1959—8:40 p.m.

409. Bangkok 353, 458, 516; Saigon 662.² In connection repatriation of Vietnamese from Thailand, Department believes it would be useful inform Diem of developments in somewhat analogous situation involving repatriation of Koreans from Japan to north Korea. You may find following assessment of Korean repatriation problem useful in influencing GVN adopt more constructive and rational attitude toward repatriation of Vietnamese from Thailand to DRV:

Korean minority in Japan suffers from social and economic discrimination and has long been strongly influenced by pro-Communist residents association. Japanese public and government welcome any opportunity whereby Koreans can be repatriated voluntarily to north or south Korea. For nearly 8 years GOJ has attempted in vain negotiate nationality and legal status of Korean minority with ROK, which has claimed jurisdiction over all Koreans in Japan and insisted they be compensated for alleged wartime forced labor. North Korean regime has seized on this ROK-Japan impasse as opportunity to mount major campaign for repatriation to north Korea, paying lip service to principle voluntary repatriation while actually aiming at propaganda victory over ROK and exacerbation ROK-Japan relations.

In this complex and politically charged situation we have attempted exert constructive influence without reneging on our fundamental stand in favor of voluntary repatriation, a principle we are convinced Free World must uphold in combating Communism. We have therefore urged GOJ and ICRC (which originally invited by GOJ to participate in plan for repatriation to north Korea) exert utmost efforts and vigilance to safeguard voluntary character of repatriation and frustrate expected Communist attempts at intimidation and coercion. At same time we have strongly urged ROKG (1) realize probable inevitability of some repatriation to north Korea now that ICRC has agreed to participate in program, (2) provide genuine freedom of choice for Koreans in Japan by permitting large scale repatriation to

¹ Source: Department of State, Central Files, 292.51G22/8-2959. Confidential. Drafted by Swezey; cleared by David M. Bane, Director of the Office of Northeast Asian Affairs; and approved by Daniel V. Anderson, Director of the Office of Southeast Asian Affairs. Repeated to Seoul, Tokyo, Bangkok, and CINCPAC for POLAD.

² Telegram 353 is printed as Document 526. Telegram 458, August 25, transmitted Bangkok press comments on the Vietnamese protest note handed to the Government of Thailand on the repatriation agreement. (Department of State, Central Files, 292.51G22/8-2559) Telegram 516, August 29, provided further reports on Thai-South Vietnamese friction over the agreement. (*Ibid.*, 292.51G22/8-2959) Telegram 662 is *supra*.

south Korea and (3) resume suspended bilateral talks with Japan unconditionally. While ROKG has not yet significantly modified its attitude toward repatriation, it has at least resumed talks with Japan notwithstanding GOJ's announced determination to proceed with some repatriation to north Korea. In essence we are convinced (1) that we should uphold principle voluntary repatriation even when its application to divided countries might give Communists some temporary advantage, and (2) that we and our allies should not allow Communists to use repatriation campaigns to irritate relations among our friends and deflect us from strengthening our unity in face of common enemy.

In bringing foregoing to Diem's attention, you might comment that while we recognize issues in Korean and Vietnamese situations only analogous rather than identical, general problem similar. We fail understand what useful purpose would be served by continuing public ventilation this situation (Bangkok 516 rptd Saigon 62) which would contribute to creation unpleasant atmosphere between SEA friends. Normal undesirability of worsening Thai-Vietnamese relations heightened, of course, by developments strengthening Communist hand in neighboring Laos. If occasion arises, Diem might also be discreetly reminded GVN has always favored voluntary repatriation. Most recent expression this policy was July 17 declaration proposing interzonal exchange 500 families.

FYI: Department concurs final paragraph Bangkok's 353 repeated Saigon 41 and believes Diem should not only not be unresponsive but should appreciate genuine RTG preoccupation serious internal security problem posed by refugees. Potential regional hazard represented by this group highlighted by reports Mekong crossing by Vietnamese refugees from northeastern Thailand.

Dillon

531. Telegram From the Department of State to the Embassy in Thailand¹

Washington, September 9, 1959—8:29 p.m.

583. Reference: Depcirtel 236.²

1. As indicated reftel, following DOD tentative refined FY 1960 MAP your country by major item and category. Program outlined below does not include value follow-on spare parts or PCH&T costs which were included within totals on tentative basis in program presented to Congress. These costs now included in world-wide programs and distribution to countries will be determined during course fiscal year on basis country requisitions re spare parts and delivery levels re PCH&T. Shift out of country program therefore does not necessarily indicate elimination these items but only that amount to be programmed by country from FY 60 funds cannot now be determined.

<i>Major Categories</i>	<i>Value in Thousands of Dollars</i>
Aircraft, components, spares & related equipment	3,122
Ships & harbor craft, components & spares	none
Tanks, other vehicles, weapons, components & spares	none
Ammunition	1,359
Electronic & communications equipment, components & spares	489
Construction	3,022
Other matériel	3,067
Repair & rehabilitation	3
Training	2,936
Total	13,998

¹ Source: Department of State, Central Files, 792.5-MSP/9-959. Secret; Priority. Drafted by C. Richard Spurgin in SEA, cleared with FE and U/MSC, and approved by Clifford C. Matlock, Special Assistant for Economic Affairs in the Bureau of Far Eastern Affairs.

² Circular telegram 236, September 8, outlined in general terms the problems posed by the prospect of limitations on funds available for the military assistance program, indicating that the Congressional authorization of \$1.4 billion for fiscal year 1960 would probably not be fully appropriated. It urged all posts to analyze needs and requirements with a view to making maximum use of available resources. (*Ibid.*, 700.5-MSP/9-859)

3. Major changes from Congressional presentation reflected one hand addition 20 F86F aircraft, other hand elimination ocean mine-sweeper (MSO), tracked landing vehicles, MK3, MK6 and MK18 mines, and practical elimination funds for repair and rehabilitation. Total represents no net reduction from Congressional presentation after correction for separate calculation costs spare parts and PCH&T.

4. Comments requested along lines suggested reftel.³

Dillon

³ Ambassador Johnson responded in telegram 704 from Bangkok, September 15, indicating the Embassy's acceptance of the items listed in telegram 583, on condition that an effort be made to make up the deficiencies in fiscal year 1961. "Believe very small size of FY 1960 program for Thailand together with developing situation in Laos amply demonstrates that no material reduction could be made any portion Thai program without serious adverse impact our interests." (*Ibid.*, 792.5–MSP/9–1559)

532. Telegram From the Department of State to the Embassy in Thailand¹

Washington, September 14, 1959—9:25 p.m.

636. Your 540 and 571.² Department commends your tactful and sensitive handling of Vietnamese refugee repatriation problem in conversation with Foreign Minister and GVN Ambassador and concurs in your view concerning importance of not allowing this issue to poison Thai–GVN relationships at this critical juncture.

It would appear desirable to seek appropriate opportunity in your discretion to point out to RTG that this seems perilous and ill chosen moment to press ahead with implementation of repatriation agreement with DRV as aggressor in Laos, quite apart from serious strain thus placed on Thai–GVN relationships.

Herter

¹ Source: Department of State, Central Files, 292.51G22/9–459. Confidential. Drafted by Swezey, cleared with SEA and FE, and approved by Parsons. Repeated to Saigon and CINCPAC for POLAD.

² In these telegrams, dated September 1 and 3, Johnson reported on two conversations with the Vietnamese Ambassador in Bangkok and one with the Thai Foreign Minister. The Ambassador expressed to Johnson the grave concern of his government over the refugee agreement and indicated that he would try to persuade the Thai Government to renounce it. (*Ibid.*, 292.51G22/9–159 and 292.51G22/9–359)

533. **Telegram From the Embassy in Thailand to the Department of State**¹

Bangkok, September 17, 1959—6 p.m.

737. Reference: London's 1431 to Department information Saigon to Bangkok 20.² Believe US should refrain from advising UK Government oppose re possibility Cathay Pacific may transport Vietnamese refugees from Thailand to North Vietnam. To do so would be to place ourselves in position of blocking implementation Thai-DRV Red Cross repatriation agreement. US did not attempt dissuade Thai from reaching this agreement and took hands off attitude throughout negotiations primarily because we had no reasonable alternative to offer. Our opposition to CPA involvement in repatriation, particularly if successful, would be certain become known to Thai with undesirable effect on Thai-US relations.

Moreover, while there may be disadvantage for free world in having British carrier engaged in this activity (CA-2222, September 8),³ do not doubt Thai would be willing accept Soviet bloc carrier if none other available which would from our viewpoint be even less desirable. If and when repatriation refugees actually gets underway (according agreement supposed start next January) may be desirable suggest to Thai use of Thai Airways.⁴

UK Foreign Office impression correct transportation refugees by air limited to small number sick and aged.

Johnson

¹ Source: Department of State, Central Files, 292.51G22/9-1759. Confidential. Repeated to London and Saigon.

² Telegram 1431 from London, September 15, reported on a discussion held by an Embassy officer with two officials of the British Foreign Office to express U.S. concern over the possible involvement of a British carrier, Cathay Pacific Airways (CPA), in transporting Vietnamese refugees from Thailand to North Vietnam. The British reaction was that the agreement was reasonable and had been concluded to alleviate what was considered to be a serious security threat in Thailand. (*Ibid.*, 292.51G.22/9-1559)

³ Not printed. (*Ibid.*, 292.51G22/9-859)

⁴ Telegram 734 to Bangkok, September 24, concurred with this suggestion. (*Ibid.*, 292.51G22/9-1759)

534. Despatch From the Embassy in Thailand to the Department of State¹

No. 235

Bangkok, October 20, 1959.

REF

CA-1333, August 11, 1959²

SUBJECT

Role of the Military in Less Developed Countries

The referenced instruction, along with its two enclosures, has been read and commented on by members of the Country Team. I have drawn on these comments in preparing the following assessment with which the Country Team generally concurs.

1) There can be no quarrel with the basic proposition, posed in the papers circulated with CA-1333, that the US Government must work with authoritarian military governments in the less developed countries of Free Asia and Africa. As the Department has pointed out, "authoritarianism will remain the norm in Free Asia for a long period." This being the case, the problem of explaining to the American people and to friendly nations which are not sympathetic toward an authoritarian form of government why we support such governments becomes a matter of public relations, not of policy. We need not, for example, feel self-conscious about our support of an authoritarian government in Thailand based almost entirely on military strength. In addition to the generalized guide lines advocated in paragraph 7, pp. 23-4 of the study "Political Implications of Afro-Asian Military Takeovers"³ and aside from the practical matter of Thailand's not being ready for a truly democratic form of government, it can be pointed out that the United States derives political support from the Thai Government to an extent and degree which it would be hard to match elsewhere. Furthermore, the generally conservative nature of Thai military and governmental leaders and of long-established institutions (monarchy, Buddhism) furnish a strong barrier against the spread of Communist influence. Moreover, the Thai military rule does not weigh onerously on the people. Many of the individual liberties which we commonly associate with our form of government and find denied

¹ Source: Department of State, Central Files, 611.90/10-2059. Secret.

² In this instruction, the Department forwarded to 42 posts material relating to the role of the military in less developed countries. An assessment of the material was requested from each post by October 1, 1959. (*Ibid.*, 611.90/8-1159)

³ This paper was one of the enclosures to CA-1333. It consisted of an oral presentation made before the NSC on June 18, 1959, a summary of conclusions, the text of the paper itself, and annexes A and B dealing with implications of recent military coups and takeovers in the Middle and Far East, prepared respectively in NEA and FE.

under authoritarian regimes, such as freedom of speech and religion, the right to own property, etc., flourish in Thailand to a remarkable degree; and Marshal Sarit shows his sensitivity to what he believes is public opinion in many ways.

2) The papers circulated by the Department show concern over the possibility that military dictatorships will place undue emphasis on security to the detriment of economic and social development. This concern, it seems to me, is not a very real one or at least not one of lasting significance in Southeast Asia. A more realistic concern would appear to be that a newly-formed government will attempt too rapid an economic development based on poorly prepared ground. The need for security and the demands for military hardware will be made, but except perhaps initially, they will be made in addition to demands for economic assistance. Generally speaking, any authoritarian form of government can naturally be expected to make its own security a matter of primary concern. Thus, if the United States intends to support such governments, it can expect them initially to make large demands in the field of military hardware. And we must meet these demands or the government concerned will turn elsewhere to satisfy them. It will obviously be in our interest to see that the government we are supporting achieves stability, and security based on firm military control will contribute greatly to political stability if there are also present (as there are in Thailand) vigorous programs for economic and social improvement.

3) As the study on Thailand submitted by the Department points out, Thailand, thanks to its historical background, is an exception to most of the generalizations on the role of the military in less developed countries.⁴ Nevertheless, Thailand does to an admirable degree meet the criteria for US support laid down by the Department's study "Political Implications of Afro-Asian Military Take-Overs." This paper states that "the essential test from our point of view should be whether a particular military regime responsibly confronts the problems facing it—security and developmental progress—and, in so doing, successfully resists Communist techniques." The Department cites recent military take-overs in Burma, Pakistan and the Sudan as meeting this test but it might easily have chosen Marshal Sarit's "revolution" of October 1958 as another good example.

4) The Department's concern over "second stage revolutions," stemming from disregard for economic development and the stifling of opposition groups, would also appear inapplicable at the present stage to Thailand. Sarit's interest in and appetite for economic development

⁴ Reference is to the section on Thailand in Annex B to the paper on "Political Implications of Afro-Asian Military Take-overs." The paper noted that the use of force by the military to effect a change in government in Thailand constituted a continuation of past practice.

needs to be constantly damped down rather than whetted. Opposition groups of the type described by the Department—labor, students, intelligentsia, dissident younger officer groups—are, with the exception of the last-named, of no immediate significance as potential leaders of “secondary revolutions;” and any revolution staged at this time by dissident officers in Thailand would follow tradition and produce only surface change.

One note of warning needs to be sounded with regard to the Department’s assertion—with which I agree—that “the complexity of the developmental process requires that a military regime utilize civilian competence to the utmost. . . .”⁵ In Thailand Sarit appears to be well aware of this necessity and has mustered in one grouping or another the best civilian brains the country has to offer. Furthermore, the civilian bureaucracy remains intact. Nevertheless, Sarit’s reliance on these civilian advisers has been a major irritant in his relations with his military cohorts who, having supported Sarit in his drive to supreme power, resent his reliance on civilian advisers in furthering the economic development of Thailand.

It is not my purpose here to whitewash Marshal Sarit, to ascribe to him virtues he does not possess or to make the obviously false claim that graft and corruption have been eliminated in Thailand never to return. I believe, however, that it is fair to say that Sarit’s concepts and actions as we perceive them approach the Department’s definition of the “happy medium” from the standpoint of US interests as a situation which encompasses “a military regime ‘civilianized’ to the greatest extent possible and headed by a military leader who saw security and development in perspective and thereby evidenced political leadership of the type required in a developing society.”

5) The Department’s concern over the correlation between political authoritarianism and economic authoritarianism in underdeveloped countries is well-taken. Again recognizing that Thailand is an exceptional case, there is in Thailand a discernible trend away from government ownership and control of such industrial plant as exists. This trend could easily be reversed, however, if current Thai efforts to attract private foreign investment, together with foreign economic assistance such as Thailand now receives from the US, fail to produce a rate of economic growth consonant with the aspirations of Thailand’s leaders.

6) As for the Department’s well-justified concern that US support of military regimes may create a false image of the US, which I have defined as a public relations problem, I concur in the thesis that we can help remedy this false image by setting a good example of liberal

⁵ Ellipsis in the source text.

democracy at work. However, I wonder whether we could not, also, use Thailand as an example of successful cooperation between the US and an authoritarian military regime.

The principal disadvantages we face in Thailand are precisely those which the Department foresees as the possible long range concomitant of authoritarian government—a stifling of democratic values and parliamentary procedures. Sarit's "revolution" of October 1958 and its aftermath unquestionably constitute a setback for the trend, however faint, toward a more democratic form of government which had its origins in the 1932 coup d'etat.

Nevertheless, as the Department's paper in Thailand correctly points out, there is growing in Thailand a political consciousness among urban Thai and, I venture to add, elsewhere in the countryside as well. The various components of this mission—USOM, JUSMAG and USIS as well as the Embassy proper—have all played a part in the furthering of this process. As communications and educational facilities continue to improve in Thailand and as increasing numbers of Thai military personnel, government and business leaders and technicians are exposed to the US and to US habits of thinking, political consciousness in Thailand will continue to develop. That the Thai system of government will ever resemble the US system very closely is questionable but an increasing responsiveness to public opinion appears inevitable if basic current trends continue. The US is in a unique position to encourage these trends, the while it supports a country very favorably disposed toward the US and its policies and one which does not present us with many of the problems with which the Department's instruction is concerned.

(I regret the delay in replying to the Department's instruction, but with other recent developments in this area during the period it was entirely impossible to do so in the allotted time.)

U. Alexis Johnson

535. Letter From the Ambassador in Thailand (Johnson) to Prime Minister Sarit Thanarat¹

Bangkok, November 7, 1959.

EXCELLENCY: I am pleased to inform you that we have now received information with respect to the allocation of grant financial aid to Thailand for the Fiscal Year 1960. The total amount of Defense Support, Technical Cooperation, and Special Assistance funds will be approximately \$23,115,000.

Although the total amount of economic aid funds appropriated by the Congress this year was approximately 20 per cent less than in Fiscal Year 1959, the amount allotted to Thailand was reduced only approximately 4 per cent or less than \$1,000,000. The reduction in the case of Thailand was also proportionately less than for other Far Eastern countries. USOM will inform the TTEC of the details in accordance with established procedures.

The foregoing figures, of course, do not include United States economic assistance to Thailand in the form of Development Loan Fund and other such financing of Thai economic development.²

With kind personal regards, I remain,
Respectfully yours,

U. Alexis Johnson³

¹ Source: Department of State, Central Files, 792.5–MSP/11–1059. Confidential. The source text is a copy transmitted as an enclosure to despatch 290 from Bangkok, November 10.

² On the following day, Sarit responded with a note of thanks in which he attributed Thailand's favorable treatment to Johnson's unremitting efforts. (*Ibid.*, 792.5–MSP/11–1059)

Earlier, on November 5, Johnson had informed Sarit by note that in fiscal year 1960 the United States would be able to provide Thailand with two–three times the amount of petroleum supplied in fiscal year 1959. (Enclosure to despatch 335 from Bangkok, December 8; *ibid.*, 792.5–MSP/12–859) See footnote 2, Document 515.

³ Printed from a copy that bears this typed signature.

536. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, November 13, 1959—11 a.m.

1244. It my understanding that Thai tentative FY 1960 MAP as approved by State now stands at only \$5.3 million with 9.3 million deferred and that this results in again deferring any steps toward supply F-86's to Thailand, as well as construction program.

I have previously expressed fully strong views self and country team on particular importance not further deferring supplying F-86's. Reduction of Thai program to \$5.3 million which represents reduction of more than 60 percent from congressional presentation, as well as program transmitted Deptel 583,² seems entirely disproportionate to cut in appropriations as well as my understanding cuts being applied other MAP recipients. Effects will be profoundly discouraging to Thais, who have during past year shown such marked improvement in training and performance, against background of US statements to Sarit and others that important element in MAP level for Thailand was Thai performance. Also seems to me apart from other considerations, Lao situation increases importance maintaining and further developing Thai military capabilities. Also as I have pointed out to Department value wholehearted Thai cooperation with US and agencies in Lao situation has been beyond measurement in monetary terms. Balanced against Thai contribution of well over \$1 million for maintenance JUSMAG here, reduction of program to \$5.3 million may well begin to raise in Thai minds question balance of advantage.

Therefore, most earnestly urge reconsideration.³

Johnson

¹ Source: Department of State, Central Files, 792.5-MSP/11-1359. Secret. Repeated to CINCPAC for POLAD.

² Document 531.

³ On November 20, the Department, in telegram 1232, informed the Embassy that the Department of Defense had recommended reinstatement of certain items in the fiscal year 1960 military assistance program. (Department of State, Central Files, 792.5-MSP/11-1359) On February 29, 1960, in telegram 2265, the Department told the Embassy in Bangkok that the Department of Defense had already informed the Thai Government that one F-86-F squadron was approved and programmed for 1960 and that additional information concerning funding and delivery could be obtained from the Chief of JUSMAG. (*Ibid.*, 792.5-MSP/2-2860)

537. **Telegram From the Embassy in Thailand to the Department of State**¹

Bangkok, November 24, 1959—6 p.m.

1372. *Bangkok World* November 22 reported interview with Phra Tiranasan, Chairman Thai Red Cross Committee in charge repatriation Vietnamese refugees in accordance Rangoon agreement, in which he stated "more than 40,000" refugees registered for repatriation DRV by November 17, and that total registering before November 20 deadline would be 90 percent. On November 23, *Bangkok Post* reported it told by "officials" that over 45,000 have registered out of more than 48,000 total refugees.

Interior Under Secretary Luang Chart Trakarnkoson confirmed 45,000 figure to Embassy officer and said final accounting would even raise it slightly. Added first shipment refugees to Haiphong will leave January 5, 1960 with 1,000 aboard.

Embassy finds size registration figure almost incredible (Luang Chart also expressed surprise) unless refugees under heavy pressure from Thai and not given alternative of remaining in Thailand. However, GVN ARMATT told AARMA that refugees had been under heavy propaganda barrage from Hanoi to encourage registration, and said he not surprised at response. He noted refugees still consider Ho Chi Minh father of Vietnamese independence, and they highly susceptible Hanoi line. [*less than 1 line of source text not declassified*] report Thai may have exerted pressure for registration. If true this must have been with at least implicit agreement DRV, since agreement clearly specifies no pressure.

Embassy still unwilling believe entire operation will go through without Communist-created difficulties; does not appear propaganda gains for Hanoi of refugees choosing DRV outweigh advantages DRV having potential fifth column Thailand or problems caring for some 45,000 persons, some of whom may be expected cause trouble when faced with comparison life in DRV compared to relative freedom and prosperity enjoyed in Thailand.

Johnson

¹ Source: Department of State, Central Files, 292.51G22/11-2459. Confidential. Repeated to Saigon, CINCPAC for POLAD, Vientiane, Phnom Penh, Kuala Lumpur, Rangoon, Tokyo, and Seoul.

538. Telegram From the Department of State to the Embassy in Thailand¹

Washington, November 30, 1959—7:16 p.m.

1328. Your 1372, rptd info Saigon 194, CINCPAC for POLAD 136.² Department increasingly concerned over manner in which Vietnamese repatriation agreement is apparently being implemented and concurs in your view size registration figure is so high as to suggest possibility of Thai governmental pressure, DRV-inspired semi-terrorist tactics within Vietnamese community, or combination of both. Our concern is motivated by (1) importance of safeguarding principle of voluntary repatriation and (2) danger to free world interests arising from increased tension between RTG and GVN.

While fully recognizing the desirability from standpoint Thai security interests of getting rid of Vietnamese minority we believe manner in which repatriation is handled is important for reasons of both principle and policy. US has steadfastly upheld principle of voluntary repatriation in Korea and elsewhere, has publicly opposed forcible repatriation and would do so again. In addition to consistent adherence to voluntary principle we cannot fail to be deeply concerned over prospect that people may be sent unwillingly and through fear or ignorance into Communist slavery. Department anticipates possible public queries and even protests if US attitude is not demonstrably consistent with voluntary principle. Department therefore suggests Embassy query RTG as to exact procedures being followed and attempt establish as many facts as possible to enable us to deal effectively with expected inquiries. You may if necessary warn RTG we may be forced to protest if voluntary principle not adequately safeguarded.

Our apprehension that Rangoon Agreement would be used in various ways as DRV chosen instrument to muddy waters between RTG and GVN now appears well founded and prospect of further acrimonious recriminations between Bangkok and Saigon climaxing in possible cancellation of King's visit to GVN is genuinely alarming in present context of affairs in SEA.³ Recommend you express to RTG our deep and growing concern over worsening relations between two

¹ Source: Department of State, Central Files, 292.51G22/11-2459. Confidential. Drafted by Swezey, cleared by Anderson and Steeves, and approved by Parsons. Repeated to Saigon and CINCPAC for POLAD.

² *Supra.*

³ The King and Queen of Thailand visited the Republic of Vietnam, December 18-21. According to despatch 212 from Saigon, January 12, 1960, the Royal visit did not seem to have any effect on the refugee problem. (Department of State, Central Files, 792.11/1-1260)

resolutely anti-Communist friendly nations and point out that continued public airing of their differences directly serves Communist interests.

Herter

539. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, December 4, 1959—11 p.m.

1491. Reference: Deptel 1328,² Embtel 1479.³ Embassy officer discussed Vietnamese refugee question December 4 with Chalor Wanaputi, Inspecting Commissioner, Ministry Interior, former Governor of Bangkok and close personal friend several Embassy officials. During conversation Chalor called in and frequently sought information from assistant to Galan Amatayajun, Chief, Foreign Affairs Division, who Ministry Interior official directly concerned with repatriation. Chalor stated 70,000 refugees have now registered for repatriation DRV. He claimed Interior Ministry had originally expected majority refugees would prefer remain Thailand and these figures accordingly came as surprise. He accounted for number refugees which substantially higher than total thought living in Thailand as follows:

- (1) Although police registered refugees upon their original entry into Thailand, police records inaccurate,
- (2) On arrival Thailand refugees scattered widely and no real effort made to keep track of them and
- (3) Natural increase. Chalor explained that many refugees came to register from outlying districts, for example, in one, Amphur, which carried police registration 600 Vietnamese, 2,000 had registered for repatriation. Thus Ministry Interior accepts 70,000 figure registered for repatriation as accurate and original figure of 50,000 in all Thailand as inaccurate.

¹ Source: Department of State, Central Files, 292.51G22/12-459. Confidential. Also sent to CINCPAC for POLAD and repeated to Saigon, Vientiane, and Phnom Penh.

² *Supra*.

³ In telegram 1479, December 3, the Embassy commented on several aspects of the Vietnamese refugee, repatriation problem. (Department of State, Central Files, 292.51G22/12-359)

Chalor vigorously asserted that there had been absolutely no pressure by Thai Government for refugees to sign up for repatriation. He claimed there were many witnesses to registration who could vouch for this and explained procedure as follows: Those wishing go DRV had to so indicate on form provided; those wishing remain Thailand or proceed GVN were instructed not to fill in form. (This account somewhat at odds with procedure outlined to me by Thanat—Embtel 1404⁴ —but does come from official directly involved repatriation procedures.) When asked what Thai Government will do in event refugees who had registered for DRV changed their minds, Chalor said they would be permitted remain Thailand since Rangoon agreement did not specify that those signing agreement must irrevocably proceed and since agreement stipulated no coercion permitted. Upon arrival Bangkok area prior embarkation for Hanoi refugees would be housed in Public Welfare schools without guards (since they not regarded as criminals). Chalor said he had asked General Praphat what he planned to do in event refugees attempted stage demonstration on arrival Bangkok area and said Praphat had laughingly replied he would cross bridge when he came to it.

Chalor also noted refugee children born in Thailand are Thai nationals by law but saw no problem their repatriation since all are minors and subject parental control.

Comment: Embassy reassured by Chalor's assurances refugees not forced register for repatriation DRV and would not be coerced into going should they change their minds. First group scheduled for departure from Bangkok harbor January 5 and it should be possible for Embassy to monitor this operation. Since 70,000 figure result of recently concluded registration Embassy inclined accept it as genuine and also explanation original figure 50,000 inaccurate. As for question how many will actually depart, only time will tell and Embassy's doubts that substantial number will actually proceed have been reported previously. This connection, British Embassy officer who recently in northeast reports the 280 detainees who released from Bangkok jails to return northeast prior repatriation (Weeks's 44, 45)⁵ have

⁴ This reference is presumably in error. Telegram 1405, November 27, recounted a conversation with Thanat on the refugee question in which he indicated that Thai procedure called for those wishing to return to North or South Vietnam to so indicate by registering. Those not registering would show their desire to remain in Thailand. (*Ibid.*, 292.51G22/11-2759)

⁵ Reference is to telegrams 1127, October 30, and 1207, November 7, containing the weekly summaries prepared by the Embassy in Thailand, both of which commented briefly on the refugee question. (*Ibid.*, 792.00(W)/10-3059 and 792.00(W)/11-759)

actually made preparations depart but remainder have made no move dispose their property or otherwise prepare for departure.⁶

Johnson

⁶ Telegram 1796 from Bangkok, January 6, 1960, reported that the first boatload of 922 Vietnamese left Bangkok on schedule on January 4. The operation was monitored by Sarit, Praphat, and other high-ranking officials under strict security measures. (*Ibid.*, 292.51G22/1–660)

540. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, January 9, 1960—8 a.m.

1835. Reference: Deptel 1615; Embtel 1535.² I have not previously attempted make extensive justification for policy which would authorize DLF loans to Thailand covering local currency as well as foreign costs for major public projects because I felt considerations in favor this policy so overwhelming as be self-evident. However, in view delay receiving coordinated State, ICA, DLF policy in response our requests guidance this matter, believe useful for me outline considerations which I believe pertinent this regard. Issues at stake this decision are of major import, perhaps as important as any issue in US-Thai relations since my arrival here.

The following comments are concurred in by country team.

1. Believe important Department and DLF recognize that dollar loans to Thailand for local currency uses not equivalent such loans to countries with weak or inflated currencies. To treat as equivalent would be to penalize Thailand for its responsible fiscal and monetary management.

2. Financial stability is a major US objective in developing countries. Strength of Thailand's position has been secured by group well trained sound economists Bank of Thailand and Minister Finance over

¹ Source: Department of State, Central Files, 792.5–MSP/1–960. Confidential.

² In telegram 1535 from Bangkok, December 10, Johnson reported on the increasing impatience of high Thai officials with the lack of information they were receiving about the prospects for DLF loans on three irrigation projects and on the Bangkok–Nakorn Pathom Highway. (*Ibid.*, 792.5–MSP/12–1059) The Department's response in telegram 1615 to Bangkok, December 30, stated that part of the delay in reaching a decision stemmed from the fact that the Thai presentations on these projects were not considered formal applications. The DLF was also still considering its policy on financing local currency costs in such projects. (*Ibid.*, 792.5–MSP/12–1059)

frequent and vigorous opposition. Governor Bank of Thailand and concurrently Director of Budget today advised National Economic Development Council increase baht expenditures projected new budget (1959 budget 7.2 billion) would not be met by deficit financing through Bank of Thailand. Believe those defending internal financial stability should be supported by US. However, with roads and irrigation projects needed to increase nation's productivity and non-availability sufficient funds from defense support, I believe Thailand's case for DLF loans for local currency costs these projects should be welcomed with favorable US consideration.

3. With respect Thai foreign exchange reserve position believe prudent handling of reserves by Bank of Thailand should be applauded by US rather than used as basis for denial financing sound local currency projects. Believe that pressure in Thai Government for economic development projects, i.e., roads and irrigation, such that without favorable US consideration DLF loans prudent financial policies will by force [*perforce?*] give way to deficit financing or cause first break in reserve position which would likely be beginning of series of runs on reserve holdings.

4. In Thai private sector most applications to DLF for industrial loans likely be under \$100,000 and in practically all cases under \$500,000. Based my understanding DLF loan criteria, such small loans not likely be considered by DLF. Therefore, except for indirect DLF loans to Thai private sector, such as through intermediate of Thai Industrial Finance Corporation (IFC), DLF activity in Thailand's private sector likely be quite small for many years in future.

5. Use of IFC for channeling smaller industrial loans highly desirable when IFC fully functioning one to two years hence. But DLF not likely play important role since IFC Chairman Prince Vivat has understanding for use IBRD as initial source financial resources when needed.

6. In public sector Thailand seeking DLF loans for roads and irrigation projects. In any country such projects largely involve local currency costs. This even more pertinent in Thailand which self-sufficient in cement. If DLF fails to make public sector loans on basis they involve local currency costs, this would appear leave DLF with very minor, if any, role in Thailand.

7. Economic implications of probable future combination reduced grant aid to Thailand plus failure of DLF to play role here would be to retard Thailand's economic growth substantially and to negate much of what accomplished here recent years.

8. Political implications of small or no DLF assistance to Thailand even more serious. It would subject to doubt US statements that DLF willing finance road and irrigation projects Thailand (see Dillon statements to Thanat Khoman at Wellington SEATO meetings and in

Washington in September 1959).³ Thais already sensitive re what they feel is preferred treatment given uncommitted nations in US aid program. This feeling would be magnified if US in effect cut off Thai public sector from DLF financing. (See Embtel 1834)⁴

9. Thai financial contribution to joint defense already large. Requesting Thais to finance all local currency costs large public works would certainly make Thais skeptical about wisdom their military contribution.

Have explained economic implications DLF loan policy to Edwin Kirby, Deputy Managing Director DLF, and Department may wish obtain his views.

I wish again stress that this question not simple one soft versus hard loans (especially since baht quite hard any case) but one which pervades entire gamut US-Thai relations and which must be judged this context.

With US assistance and Thai efforts sound base for their economy (in contrast most surrounding countries) now established and from this point on added projects can have maximum effect. Such would demonstrate to SEA and other countries value of free economy and cooperation with US. Would regret seeing this opportunity lost.

Johnson

³ A memorandum of conversation between Dillon and Thanat Khoman on April 8, 1959, in Wellington during the SEATO Council Meeting is *ibid.*, Conference Files: Lot 64 D 560, CF 1253. The two met again in Washington on September 29 on the occasion of Thanat's visit to the United States for the meeting of the U.N. General Assembly; the memorandum of conversation is *ibid.*, Central Files, 792.5–MSP/9–2959.

⁴ See footnote 2, *infra*.

541. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, January 17, 1960—1 p.m.

1920. Reference: Embtel 1834.² Thai Government and press continuing comment re adequacy US aid to Thailand compared grant aid other Asian countries. Specific instances since *Bangkok Post* article reported reference telegram follows:

1. *Bangkok World* morning January 13 carried excellent editorial (by editor Darrell Berrigan) expressing surprise at criticism by "unnamed officials" re aid to Thailand compared Laos, Cambodia, India, Viet Nam and Taiwan. Burden of editorial is that Thailand has advanced so far that aid requirements much less; other countries "poor, backward . . ." ³ and only just begun utilize benefits type of freedom Thailand has had since early history". Furthermore US not "aiding" Thailand, but rather "joining" her in programs initiated by Thais themselves. Maintaining freedom uncommitted countries as important to Thailand as to US, and editorial ends with prediction within very few years Thailand will join US in giving rather than receiving aid to other countries.

2. Evening January 13 *Bangkok Post* carried news story claiming Sarit had told Cabinet January 12 "Thailand will not be asking US for more aid than it is getting. It is matter of national honor. Thailand will in future work only for its own interests." *Post* also cited sources "close to Prime Minister" as stating Prime Minister believes US aid to Thailand "relatively little", and US appears proportionately less interested in needs of countries "whose friendship US feels certain" than those which play international policies [*politics*] to obtain as much as possible from both US and Communist countries.

3. January 15 *World* front-paged side by side two articles on subject: (A) First reported views of Thanat given to editor Berrigan as result January 13 editorial. Thanat "took issue with those who believe

¹ Source: Department of State, Central Files, 792.5-MSP/1-1760. Confidential. Repeated to Phnom Penh, Vientiane, Saigon, New Delhi, and CINCPAC for POLAD.

² Telegram 1834, January 9, reported on a front-page article in the *Bangkok Post* concerning heavy criticism by unnamed high Thai officials regarding the quantity of U.S. aid. The Embassy speculated that the source of the article was probably Thanat, but this was not certain. Of greatest significance was the fact that the article had brought into the open those Thai grievances against U.S. aid which had previously been aired only in private conversations. It was also significant that the article had appeared in the English language press and not in the Thai press where it might stimulate anti-Americanism. (*Ibid.*, 792.5-MSP/1-960)

³ All ellipses in this document are in the source text.

US aid should go first to countries uncommitted in cold war rather than to those countries, like Thailand, which is shouldering responsibility of defending anti-Communist position in Asia". (B) Second reported Sarit views in informal press conference. Sarit said arguments over US aid "are old and often repeated" and policy Thai Government is to "accept only assistance that is vital and necessary to us"; Thailand accepting US military and economic aid "in manner acceptable to both parties." "Thailand has been independent country all along with secure economic and political status and we have never pleaded or demanded aid from US . . . there is no change in policy of Thai Government or Cabinet in attitude toward US . . . and Thailand does not wish accept any kind US assistance which injurious to honor".

4. *World* January 16 reported statement from Prime Minister's office read on Radio Thailand previous evening.⁴ Statement said "not correct" compare amount US aid to Thailand with that given other countries "because condition and financial status countries concerned are different . . . as for those countries which have just got independence, they have had to have special assistance from US because financial system unstable . . . besides, national honor must be considered before pleading for assistance from other countries. We must not hold that amount of financial aid is most important thing. Assistance is result of policies and understanding of countries concerned. Thailand and US have been giving each other good cooperation all along and it is more important to have good will than anything else . . . it is important because if there is any real need or emergency we can be sure that US will increase assistance to suit occasion."

5. Meanwhile, Chargé called Thanat January 14 to inquire if Sarit statement (paragraph 2 above) carried implication Thai Government policy changes. Thanat said he had no knowledge of interview and not in position interpret but said no one could take exception to statement country would work for own interests. Thanat much more interested in Berrigan editorial (paragraph 1 above) and intimated it had been inspired if not drafted by Embassy; this charge categorically denied.

6. Vernacular press played foregoing developments as news, but gave relatively light editorial attention. After initial *Post* article (reference telegram) two articles appeared (*Sarn Seri* and *Chao Thai*) stressing magnitude Communist aid to Cambodia and comparing US aid to Thailand and Cambodia on per capita basis, but fairly heavy

⁴ The full text of the Prime Minister's statement as issued by the Thai Public Relations Department was sent to the Department as an enclosure to despatch 402 from Bangkok, January 20. (Department of State, Central Files, 792.5-MSP/1-2060)

news play given to Sarit statements January 14 (paragraph 3, subparagraph (B) above). Editorial comment somewhat diverted by current alarm over reported plans for heavy US rice exports to Singapore.

Comment: Sarit interview (paragraph 3) and statement from his office (paragraph 4) could be interpreted as fairly pronounced divergent opinions between Thanat and Sarit (and between *Post* and *World* editors), since Thanat, both in conversation with Chargé and in *World* interview (paragraph 3), did nothing to dispel Embassy's conviction he source original critical views published by *Post* January 7. This, however, should not be over stressed, since divergence probably one of tactics rather than beliefs. Even though Sarit appears attempting put end to polemic for moment, and especially dispel any idea change in policy toward US contemplated, line is one which can and probably will be taken when future aid levels and forms of aid are discussed.

Thanat's efforts at this time may be aimed at minimizing future cuts in US aid, and obtaining liberal DLF loan treatment.

Unger

542. Telegram From the Department of State to the Embassy in Thailand¹

Washington, February 3, 1960—6:21 p.m.

1995. For Ambassador from Parsons. Embtel 2079.² Re Sarit comments cited reftel, Thai sensitivity re comparative aid levels has, as you know, always been and will continue to be major factor taken into account in our annual pie slicing process. I personally feel we did very well by Thailand in FY 1960 considering funds available. Sarit's letter to you (Embdes 290)³ seems to confirm this. Your successful efforts keep Thai dissatisfaction within reasonable limits strongly commended. Recognize that key to future aid relationships lies in solution

¹ Source: Department of State, Central Files, 792.5-MSP/1-2960. Secret; Priority; Limit Distribution. Drafted by Robert G. Cleveland; cleared with SEA and FE and with ICA, U/MSC, and the Department of Defense; and approved by Parsons. Repeated to CINCPAC for POLAD.

² In telegram 2079, January 29, the Embassy again called attention to complaints from Sarit on the insufficiency of U.S. aid and on the problems caused by U.S. sales of rice to Asian countries under P. L. 480. (*Ibid.*, 792.5-MSP/1-2960)

³ See footnote 2, Document 535.

DLF problem, which has been delayed because of absence Dillon and Brand from Washington. Dillon now studying problem and plans discuss with Brand this week-end.

Maximum disposal Title I PL 480 rice would be 325,000 tons during current marketing year. FYI. However sales to Pakistan and Afghanistan doubtful. End FYI. We in FE continue fully alive to problem PL 480 rice causes in our relations SEA rice producers.⁴

Yen loan in final stages formal approval and awaits action by NAC and BOB. We following closely.

DOD notified CINCPAC in December re approval F86F's for FY '60. DOD has sent message CINCPAC asking about delay.⁵

[Here follows a 1-line paragraph on another subject.]

Herter

⁴ On February 9 in Bangkok, Ambassador Johnson issued a statement on U.S. rice policy in Asia designed to allay concerns that sales of U.S. rice under P.L. 480 were detrimental to the Thai economy and the welfare of Thai farmers; for text, see Department of State *Bulletin*, March 7, 1960, pp. 363–364.

⁵ See footnote 3, Document 536.

543. Telegram From the Department of State to the Embassy in Thailand¹

Washington, February 13, 1960—5:11 p.m.

2108. For Johnson from Dillon. Reftels: 1835 and 2079.² Considering additional factors you present and visit DLF Kirby,³ application for approximately \$10 million for highway purposes will be considered by DLF (and possibly foreign exchange costs by Eximbank) on basis hereinafter indicated.

Irrigation projects present far more problems than highways and believe best at this time to confine consideration to highway project. DLF will advise you directly relative technical requirements.

Basis for consideration:

¹ Source: Department of State, Central Files, 792.5–MSP/1–2960. Confidential. Drafted by Brand of DLF; cleared by Avery F. Peterson and with the Department of the Treasury and the Export-Import Bank; and approved by Dillon.

² Telegram 1835 is printed as Document 540. Regarding telegram 2079, see footnote 2, *supra*.

³ Edwin D. Kirby, Deputy Managing Director for Private Enterprise, Development Loan Fund.

(1) Although project will be taken under active consideration, necessary Section 517⁴ be complied with pertaining to technical matters and anticipate submission of necessary data will take such time that action will be early FY 61.

(2) Modest program as hereunder indicated advisable because of desire to limit local cost financing.

(3) In order enable DLF consider local cost financing for this project necessary GOT place dollars in special fund and use subsequently for purchase of capital equipment in US for their development purposes or private enterprise equipment purchases. Believe this provision will meet requirements new DLF procurement policy.

(4) In event foreign exchange costs become part of highway project, Eximbank may wish to consider but at interest rate appropriate Eximbank rate than DLF.

(5) DLF will require borrower bear some portion of local currency project costs. Exact size of portion subject to negotiation.

It should be understood that first paragraph above means order of magnitude of loan which would be considered. It is not a commitment or line of credit of \$10 million. It need not be one project but could be two or more within that total magnitude, but DLF would consider only distinct project or projects being financed to completion. For example the reference paragraph could encompass a project involving \$1 million foreign exchange, say some \$4 million local currency provided by GOT and \$10 million local currency generated by DLF loan.

Herter

⁴ Reference is to Section 517 of the Mutual Security Act of 1958, approved June 30, 1958. (72 Stat. 269)

544. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, February 19, 1960—11 a.m.

2335. For Dillon and Parsons from Johnson. Deeply appreciate Deptel 2108² which most opportune and has greatly assisted meeting problem set forth my 2079.³ Following his return from Djakarta on trip with King and Queen, I yesterday discussed substance of tel with FonMin who most appreciative and asked I also extend thanks to both

¹ Source: Department of State, Central Files, 792.5-MSP/2-1960. Confidential.

² *Supra.*

³ See footnote 2, Document 542.

of you.⁴ In accordance my understanding with FonMin Embassy immediately undertaking discussions with Minister of Finance and Bank of Thailand on formula for implementation requirement for special dollar fund for purchase capital equipment in US, and USOM with TTEC and Highway Department on compliance with Section 517. Former requirement of course raises some problems of administration but hope they will not be insurmountable and that mutually satisfactory formula can be devised.

Incidentally Indonesian trip and what he heard there on difficulties doing business with Chinese Communists appears to have had most healthy effect on Thanat.⁵

Johnson

⁴ Foreign Minister Thanat Khoman accompanied the King and Queen of Thailand on their State visit to Indonesia, February 8–16.

⁵ A report on Thanat's discussion with Unger on the Indonesian trip is contained in telegram 2323 from Bangkok, February 17. (Department of State, Central Files, 792.11/2–1760)

545. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, March 1, 1960—11 p.m.

2466. Reference: (A) Department telegram 2108,² (B) Embassy telegram 2335.³ Informal reaction Finance Minister Sunthorn and Director Bisudhi, Office of Governor, Bank Thailand, has been secured (reference B). Both officials expressed personal understanding and appreciation Department/DLF accommodation on Thailand's special needs and circumstances. With reference reference telegram A numbered item 3 believe following proposed procedure offers conformance with DLF procurement policy and implementation obtainable without detracting from general impact of this loan to enhance US/Thai relations.

(1) Secure TG agreement that Thailand would procure US capital equipment equal in value to and as consequence proposed DLF loan.

¹ Source: Department of State, Central Files, 792.5–MSP/3–160. Confidential.

² Document 543.

³ *Supra.*

(2) As baht needed fund highway construction costs DLF loan drawings will be made by borrowing agency and credited Bank of Thailand general reserve account in US banks accredited by Bank of Thailand for deposit. US dollar equal to these drawings will be sold to Bank of Thailand's equalization fund, baht proceeds credited appropriate government account to meet highway construction baht costs.

(3) Secure TG agreement establish in Bank of Thailand at time DLF loan agreement signed a special account equal full amount DLF loan. Bank to establish procedure identifying those capital equipment purchases considered attributable to DLF loan and credit those purchases against special account. Bank of Thailand would assist government in attempting influence this procurement from US. Believe best encourage Thai procurement soonest and that interest US and DLF procurement policy best served by not attempting maintain balance between dollar drawing on loan and Thai procurement capital equipment.

Request Department comments re procedures 1 through 3 above, and authorize Embassy formally discuss substance with Foreign Minister as preliminary to DLF loan negotiations.

Comment: (A) Foreign Minister requests US consider as capital equipment purchases Thailand's procurement of heavy mobile machinery and heavy duty trucks widely used by Thai Government ministries and private industries. While he appears convinced private industries will buy much capital equipment in US, government direction such procurement might adversely affect government efforts attract private investors from all free world countries.

(B) Finance Minister and Bisudhi desire establish dangerous precedent of blocking Bank of Thailand's reserves in US. Bisudhi urges that the "special account", refer to 3 above, not be considered as blocked reserve (see Embtel 2088).⁴

(C) Because relatively free foreign exchange available Thailand, Bisudhi's fears directed sale blocked dollars will be at discount. This he believes could cause IMF criticism that Thailand not maintaining single [garble] rate. Also sale of blocked dollars at discount will generate objections other countries which likely be voiced through IMF.

(D) Neither Finance Minister nor Bisudhi voiced opposition to loan condition that Government of Thailand use DLF or like amount for purchase capital equipment in US.

(E) Both agreed that Thai Government expenditure local currency amount approximately 4 million baht over period of road construction would not be strain on government budget.

⁴ In telegram 2088, January 30, the Embassy reported on various offers to the Thai Government of loans by private U.S. citizens and banks, and referred to a loan several years previously which had been secured by a Bank of Thailand note in a blocked account in an American bank. (Department of State, Central Files, 892.10/1-3060)

(F) Bisudhi stated if special account procurement acceptable Bank will be prepared supply US officials report on purchases charged this account.

Johnson

546. Telegram From the Department of State and the Development Loan Fund to the Embassy in Thailand¹

Washington, March 11, 1960—11:27 p.m.

2454. Ref: Emtel 2446 [2466], Deptel 2108.²

1. Appreciate interest TG and Embassy re local currency financing problems. Glad TG accepts in principle use U.S. dollars for purchases capital equipment in U.S. Under recent DLF loans providing dollar financing for large local currency costs, Loan Agreement included provision wherein central bank covenants that the U.S. dollars it receives in exchange for local currency disbursed in connection with the DLF loan will only be used by payment for capital goods procured from the United States. The central bank also agrees to take steps satisfactory to DLF to assure compliance with such covenant. Exact terms of such agreement probably best be worked out at time loan agreement is negotiated. At that time question of type of account, time period over which dollars to be spent, type of procurement, etc. can be discussed and negotiated.

2. Re local currency portion this project to be funded by borrower, Emtel 2108 clearly indicated (paragraph 5) that exact amount local currency contribution by borrower subject to negotiation. This determination to be made at time loan application evaluated and reviewed by DLF Board Directors. The \$4 million local currency figure (paragraph 5) was used only for illustrative purposes and in no way reflects order of magnitude of TG local currency contribution this project. If this problem already discussed with TG, TG should be advised accordingly DLF approach.

3. To date, TG has not decided on approach to highway project, (e.g., by-pass, toll road) nor has formal application for Bangkok–Nakorn–Pathom highway been submitted to the DLF. However, understand that TG has employed Charles Upham and Associates to

¹ Source: Department of State, Central Files, 792.5–MSP/3–1160. Confidential. Drafted in DLF and cleared with FE and E.

² See *supra*.

assist in preliminary engineering for project. DLF will await TG ascertain plans and specification of highway and overall costs (both dollar and baht), before taking further action this project.

Herter

547. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, March 15, 1960—5 p.m.

2726. Country Team has fol observations to make on Deptel 2330.²

Appreciate problems created by inclusion POL in MAP for Thailand as noted in reftel. However, political-security justification for inclusion POL in MAP as strong today as at any time in past. Furthermore, reduction in MAP allotment will coincide with reduction grant economic aid. Moreover, do not see relevance of allusion in para a to US financing import of POL under economic aid program since this is device by which counterpart funds generated for financing various USOM programs. Re (b) and (c) should be remembered Thailand currently placing major emphasis on economic development. Thai budgetary allotments for military reduced FY 60 under pressure this emphasis and we do not foresee likelihood any reversal this development even to fund relatively small amount POL at stake. Net result of reduction MAP-supplied POL for Thai Armed Forces, therefore, will almost certainly be cut-back Thai military effort, as was case last year, most probably in utilization POL-consuming operations such as RTAF training flights. Adverse effect will be magnified by fact quantity and value POL requirements will increase with each new increment programmed F-86 aircraft. Country Team unable suggest any other item now financed by TG which MAP could justifiably support as

¹ Source: Department of State, Central Files, 792.5/3-1560. Confidential. Repeated to CINCPAC.

² In telegram 2330, March 4, the Department informed the Embassy of a proposal, on the basis of which the fiscal year 1961 Military Assistance Program had been presented to Congress, to cut POL support for the Thai military leading to complete termination after fiscal year 1963. Past POL support for Thailand had created a number of problems, including: "(a) difficulty of justifying U.S. financed imports of POL into Thailand simultaneously in both military and economic aid programs, (b) rationale for MAP financing of relatively small proportion total imports of POL into Thailand, and (c) difficulty in explaining why Thailand unable to add this relatively small requirement to its military budget." (*Ibid.*, 792.5/3-460)

substitute for POL. In any event, wish repeat frequently reported Country Team recommendation that Thai Govt be informed 18 months in advance of any reduction POL support Thai Armed Forces. This would preclude any reduction prior FY 62.

Chief JUSMAG advises that gradual cut-back MAP POL for RTAF to amount in 1964 which would be about 50 percent present rate will be feasible though at far slower rate reduction than that contemplated in reftel. He does not, however, believe any reduction feasible for RTA or RTN. JUSMAG will transmit its detailed recommendations via own channels.

Unger

548. Report Prepared by the Operations Coordinating Board¹

OPERATIONS PLAN FOR THAILAND

A. Objectives and General Policy Directives

Regional Objectives

1. To prevent the countries of Southeast Asia from passing into or becoming economically dependent upon the Communist bloc; to persuade them that their best interests lie in greater cooperation and stronger affiliations with the rest of the Free World; and to assist them to develop toward stable, free, representative governments with the will and ability to resist communism from within and without, and thereby to contribute to the strengthening of the Free World.

Present Application to Thailand

2. Substantial progress has been made in achieving the regional objectives described in paragraph 1. Thailand is committed to the Free World, and has demonstrated its will and ability to resist communism

¹ Source: Department of State, OCB Files: Lot 62 D 430, Thailand. Secret. A prefatory statement indicates that this plan was approved by the OCB with the concurrence of all participating agencies "to assist in the integrated and effective implementation of national security policy assigned to the Board by the President for coordination." Annex A, "Arrangements or Agreements with the U.S.," Annex B, "Agency Program Summaries," and a Financial Annex are not printed.

Each department or agency involved undertook to send the entire plan or relevant portions to the appropriate representatives in the field. Copies were sent to the Embassy in Bangkok on June 3 under cover of a letter from Under Secretary of State for Political Affairs Livingston T. Merchant to Leonard Unger. (*Ibid.*, Central Files, 611.92/6-3060)

in every form. Principal emphasis will now be placed on continuing to maintain Thailand as the hub of U.S. security efforts in Southeast Asia; encouraging the development of stable, representative political institutions; encouraging a strong, healthy Thai economy which will continue to maintain sound economic progress while at the same time being better able to support a military establishment appropriate to Thailand's internal and external security role; lessening tensions between Thailand and neighboring free countries in order to improve their collective and individual resistance to Communist pressures and to create a more auspicious atmosphere for the development of regional cooperation.

General Guidance

3. We should foster the development of a Thai leadership able and willing to continue the alignment of Thailand with the United States and the free world community, politically united and popularly supported, responsive to the aspirations and ideals of the Thai people, and administratively stable and constructive. We should continue to utilize Thailand's strategic position in Southeast Asia [*1½ lines of source text not declassified*] to thwart Communist efforts at infiltration and subversion in neighboring free countries, to the extent that such action is consistent with U.S. policies and programs in those countries. We should continue to provide military assistance to Thailand in order to support forces adequate (a) to maintain internal security, (b) to present limited initial resistance to external aggression, and (c) to make a modest contribution to collective defense of contiguous areas within the purview of SEATO, particularly Laos.

4. We should encourage and support efforts to lessen tensions between Thailand and her free Southeast Asian neighbors, such as Cambodia, and Vietnam, and to foster closer relations with other neighboring countries, such as Burma, Laos, the Federation of Malaya and the Philippines. Without either weakening Thailand's position with regard to the free world or detracting from the specifically Asian character of Thai leadership, we should provide tactful and sympathetic support as appropriate for Thai efforts to promote increased regional collaboration among the free nations of Southeast Asia, with particular reference to such political associations, economic cooperation and joint military planning as will serve to draw these nations closer to the free world community.

B. Operational Guidance

Political Leadership

5. The domestic political situation in Thailand is in a transitional phase, with the old constitutional and legislative machinery having been abolished and no date having been fixed for the completion of a new draft constitution and for the holding of parliamentary elections. In spite of a developing political consciousness among a people who were until recently largely apolitical, political power remains the monopoly of the military group which controls the government. Although factionalism exists within this group it has been successful in maintaining a considerable measure of stability and continuity of policy and has shown itself to be responsive to the aspirations and ideals of the Thai people. The leadership of the ruling military group supports the country's monarchical institutions, which command general popular respect and allegiance.

Guidance

6. To insure as far as possible that the present regime continues to follow policies which promote U.S. objectives we should continue to maintain the best possible relations with its leaders while at the same time taking care to preserve useful contacts with all significant Thai political groups, particularly with non-Communist political leaders not associated with the military group. We should promote the development of a Thai leadership which is increasingly united, stable and constructive, as well as responsive to the aspirations and ideals of the Thai people.

7. Working bilaterally, through the United Nations, with other Colombo Plan countries and with other friendly countries, we should make a special, sustained effort to help educate an expanding number of technically competent, pro-Western Thai leaders, both civilian and military. In this effort we should stress the importance of developing potential and secondary leadership to support the thin stratum of the elite now administering the government and likewise of taking advantage of modern techniques of administration, information and organization.

8. We should implement U.S. programs in such a way as to facilitate political evolution toward more democratic and parliamentary procedures without disturbing national stability. We should recognize the political and psychological significance of the Throne as an important factor in the national unity, political stability and pro-Western, anti-Communist orientation of Thailand.

Collective Security and the Communist Threat

9. The chief determinant of Thai foreign policy is the Thai leadership's assessment of the potential threat from the Chinese Communist regime. An integral part of this assessment is the extent to which Thailand feels it can continue to count on the U.S. as the chief counterbalance to the Sino-Soviet bloc in the effort to preserve its independence. Should the Thai leadership lose faith in either the intention or ability of the U.S. to perform this role, government policy might become marked by a neutralist trend and counter-subversive measures might be relaxed.

10. SEATO is regarded by most Thai leaders as a U.S. commitment to help defend their country against Communist aggression and has thus become an essential factor in the maintenance of U.S. influence in Thailand. The Thai are inclined to consider that U.S. support extends beyond a strict interpretation of the Treaty language. As a SEATO ally and a staunch supporter of collective defense measures with a long-standing anti-Communist policy, Thailand serves as the hub of our security efforts in Southeast Asia. The degree of Thailand's association with us in these efforts contributes to its desire to obtain preferential treatment as compared to uncommitted neutral nations and thus to demonstrate to the Thai people that the neutrals do not enjoy both indirect protection and economic benefits greater than those who sacrifice to make collective security possible.

Guidance

11. In order to help reassure the Thai of U.S. support against the most conspicuous threat to their independence, we should continue to confirm by action the determination of the U.S. to resist Chinese Communist expansion. Bearing in mind Thailand's strategic position in Southeast Asia, its membership in SEATO and its close identification with the United States, we should continue to ensure that our aid programs take into account Thailand's noteworthy contribution to free world collective defense measures and thus contribute to the achievement of our political objectives in Thailand.

12. It is U.S. policy to ensure a strong U.S. military position in the West Pacific area as clear evidence of U.S. capability and intent effectively to fulfill all of our treaty commitments in the Far East, and be determined and show our determination to use military power as may be necessary to protect our allies and friends from Communist aggression.

13. Should overt Communist aggression against Thailand occur we should invoke the UN Charter or the SEATO treaty, or both as applicable, and subject to a Thai request for assistance take necessary military and any other action to assist Thailand, provided that the

taking of military action shall be subject to prior Congressional action unless the emergency is deemed by the President to be so great that immediate action is necessary to save a vital interest of the U.S.

14. In case of an imminent or actual Communist attempt to seize control of Thailand from within, and assuming some manifest Thai desire for U.S. assistance, we should take immediate steps to strengthen U.S. support of non-Communist elements, encourage other free world nations to take similar action and take all feasible measures to thwart the attempt, including even military action after appropriate Congressional action.

15. We should provide military assistance to Thailand for support of forces sufficient (a) to maintain internal security; (b) to present limited initial resistance to external aggression; (c) to make a modest contribution to collective defense of contiguous SEATO areas. We should continue efforts to persuade Thai officials to eliminate non-MAP supported forces which do not contribute to the above objectives.²

16. While respecting the right and necessity for Thai leaders to determine their national policy, we should make every effort to demonstrate to them the advantages of continued active participation in collective defense measures and to increase Thai awareness of the dangers and methods of indigenous Communist insurrection, infiltration, propaganda and subversion. We should continue to conduct group briefings of the Thai and other SEATO ambassadors in Washington as appropriate and regularly brief the Council Representatives in Bangkok on matters of importance to the member governments, thus fostering the development of "SEATO consciousness" among member nations.

Regional Cooperation

17. Although relations between the countries of the region are not at present sufficiently harmonious to permit the degree of regional cooperation which would be in conformity with U.S. policies and objectives, the Thai Government is interested in developing such possibilities as do exist under present conditions and has taken an imaginative lead in fostering this concept among the free nations of South-east Asia. The absence of a colonial past and Thailand's relative maturity in the conduct of its international relations have facilitated

² Instruction A-99 to Bangkok, December 21, informed the Embassy of a change in the text of paragraph 15. The new text reads: "Continue to urge the Thai Government to improve the organization of the Thai Armed Forces, so as to make a maximum contribution to the above objectives." (*Ibid.*, 611.92/12-2160)

the Thai approach to this problem. Inhibiting factors are historic conflicts, commercial competition and Thailand's past territorial claims against its neighbors.

Guidance

18. Recognizing the importance of cohesion among the nations friendly to the free world in Southeast Asia, the U.S. should continue to encourage the development of a favorable political situation in which Thailand and its neighbors would seek the good offices of appropriate third parties to help resolve disputes. We should continue to foster closer and more cooperative relations between Thailand and other Southeast Asian countries on a basis of mutual aid and support and give discreet encouragement to Thai leadership in the field of regional collaboration, while taking care to avoid either compromising its specifically Asian inspiration or weakening SEATO and the spirit of resistance to Communism. We should participate actively in SEATO, encourage the Thai to do likewise, and seek their support in developing both its military and non-military aspects in a manner that will convincingly demonstrate the value of SEATO as a regional association, the usefulness of which extends beyond deterrence of Communist expansion.

19. In order to promote increased cooperation in the area and to deny the Mekong River basin to Communist influence or domination we should continue to assist as feasible the development of the Mekong River basin as a nucleus for regional cooperation and mutual aid. We should encourage and support closer ties between Thailand and Laos and seek to sharpen Thai awareness of the danger of Thailand's security presented by the Communist threat to Laos. We should encourage the Thai Government to continue its present attitude of sympathy and support for the Lao Government's efforts to preserve the integrity and independence of Laos. We should likewise encourage the Thai Government whenever appropriate to try to reach a satisfactory compromise with Cambodia on border issues and other problems and, in the absence of such a compromise, to follow a policy of forbearance and tolerance towards Cambodia.

20. With respect to problems created by the Vietnamese refugees in Thailand, we should counsel the Thai Government to bear constantly in mind that the Chinese and Vietnamese Communists are the sole beneficiaries of friction between Thailand and Vietnam arising out of the Thai-DRV refugee repatriation program. We should encourage improved and more effective cooperation between Thailand and the Federation of Malaya in wiping out the remaining terrorists along the Thai-Malayan border. As appropriate we should discourage Thai contacts with representatives of Burmese dissidents and the abetting of re-supply of Chinese Nationalist Irregular troops.

Overseas Chinese

21. The overseas Chinese community in Thailand amounts to approximately one-seventh of the total population. In conformity with the Thai Government's anti-Communist and pro-Western orientation the public attitude of the overseas Chinese toward Communist China continues to be marked by reserve or hostility whatever their actual sentiments may be. The leaders of the Chinese community are in general obedient to the Thai Government.

Guidance

22. U.S. objectives with regard to the overseas Chinese community should be subordinated to and kept in harmony with U.S. objectives for Thailand as a whole. Within the limits imposed by this basic policy we should continue activities designed to encourage the overseas Chinese (a) to organize and activate anti-Communist groups and activities within their own community; (b) to resist the effects of parallel groups and activities susceptible to leftist influences; (c) generally to increase their sense of identity with Thailand and their orientation towards the free world; and (d) consistent with their primary allegiance to Thailand to extend sympathy and support to the Government of the Republic of China.

Contacts with Buddhist Groups

23. The promotion of increased contacts between Buddhist groups in Thailand and free world religious leaders and movements poses certain problems with respect to adverse nationalist and religious reactions on the part of Thai Buddhists as well as to opposition from U.S. religious groups and Christian missionaries in Thailand.

Guidance

24. While recognizing the general desirability of promoting increased contacts between Buddhist groups in Thailand and free world religious leaders and movements, we should ensure that U.S. agencies proceed with the utmost discretion in this sensitive field, emphasizing private activities and minimizing government participation, [2 lines of source text not declassified]. (Ref. to OCB Operations Plan regarding Buddhist organizations in Burma, Cambodia, Ceylon, Laos and Thailand)³

³ Not printed. (*Ibid.*, OCB Files: Lot 62 D 430, Buddhist Organizations)

U.S. Economic Aid Programs

25. U.S. economic aid programs have performed an essential function in providing tangible evidence of U.S. interest in the continued economic and social progress of its SEATO ally. They have played an important part in assisting the Thai Government to maintain financial stability in spite of large defense expenditures. The Government's major problem continues to center on the necessity of preserving an appropriate balance between their outlays for defense and internal security on the one hand, and a general desire for increased expenditures for economic and social development on the other.

26. The Thai economy continues to be heavily dependent upon the export of primary resources and is further handicapped by the shortage of skilled manpower, inadequate sources of power and energy, inefficient or outmoded administrative machinery, and limited capital formation and mobilization. Thailand's strategic position in Southeast Asia, its membership in SEATO, and its close identification with the United States not only make it an important Communist objective but also underscore the importance of the American aid required to thwart realization of that objective.

27. Thai awareness of the significance of these factors is illustrated by the unfavorable comparisons which Thai leaders frequently draw between our treatment of our committed allies and that we accord to uncommitted neutrals. The extent to which our assistance programs help meet deficiencies in development expenditures and some of the most pressing development requirements contributes directly to the achievement of our political objectives in Thailand.

Guidance

28. In order to strengthen the over-all effectiveness of the Thai Government and to forestall any possibility of Thai economic dependence upon the Communist bloc we should continue to provide flexible economic and technical assistance as necessary in order to attain U.S. political objectives. We should continue to review and improve basic planning of the composition and direction of U.S. aid programs and should take steps to increase the effectiveness of program operations. We should encourage United Nations agencies, other Colombo Plan countries, and other friendly countries to contribute their resources to promote Thai economic development and to broaden the base of the Thai economy.

29. We should encourage Thailand to continue to orient its economy in the direction of the free world and to rely on non-Communist markets and sources of supply for trade, technicians, capital development, and atomic development. In carrying out programs involving disposal of U.S. rice surpluses abroad under Title I, PL 480, we should

give particular attention to the vulnerabilities of the Thai economy and the strong views of Thai leaders and avoid, to the maximum extent practicable, detracting from Thailand's ability to market its exportable produce. We should give particular emphasis to the use of Thai resources to promote multilateral commercial trade and economic development and point out to Thai officials and businessmen the disadvantages of Communist barter arrangements.

U.S.-Thai Trade

30. With the increase of population, land cultivation, and industrialization, the purchasing power of the Thai people, although still small by Western standards, is steadily growing, and the market potential for capital and consumer goods is showing a gradual expansion. The Thai-Japanese trade is heavily imbalanced in favor of Japan. With Thailand, therefore, looking for supplies from third countries in an effort to decrease that imbalance, Western countries, including the United States, should have an opportunity to build up markets in Thailand.

Guidance

31. We should endeavor to promote trade between the U.S. and Thailand by maximizing information services to American business on trade opportunities in Thailand, encouraging businessmen to make field trips to Thailand and to undertake market surveys, continuing to arrange for U.S. and Thai businessmen to get together to develop trade contracts, facilitating the introduction of U.S. technical advisors, contractors and equipment into Thailand, and encouraging the Thai Government to introduce a system of specifications and bids which would enable U.S. manufacturers to submit competitive bids. Serious consideration should be given to sending a Trade Mission in the near future as a part of the Department of Commerce Trade Mission program. The exchange of commercial exhibits, whether or not connected with fairs, should be encouraged and supported, where appropriate. The Thai Government should be encouraged to maintain an increasingly effective commercial staff in the United States.

U.S. Private Investment

32. The Thai Government seems keenly interested in promoting an improved climate for private foreign—and chiefly American—investment in Thailand but its efforts in this direction have been marked by a certain ambivalence and confusion of purpose. While professing support for such a policy, Thai leaders have simultaneously discouraged it by expanding governmental participation in industry and by slowness to remove or alleviate various obstacles which tend to make

private foreign investment unattractive. We have recently sent an investment team which has made an on-the-spot survey of the general investment situation and recommendations for improvement.

Guidance

33. We should continue to encourage and assist the Thai Government to take steps to improve the climate for private investment, both domestic and foreign, and to promote the maximum investment of U.S. private capital in Thailand consistent with such improvement. In expressing U.S. views on this subject we should emphasize means of improving the provisions and administration of pertinent Thai legislation, raising the technical and managerial levels of efficiency, and assisting in the expansion of domestic capital formation. An increased effort should be made to bring investment opportunities and developments in Thailand to the attention of American businessmen. The expansion of facilities for tourism in Thailand should be marked for particular attention in pointing up prospects for U.S. private investment. An investment guide comparable to others prepared by the U.S. Department of Commerce, as recommended by the investment team to Thailand, should be prepared as soon as funds become available.

Overseas Internal Security Program

34. The troubled situation in neighboring Laos, the strained relations between Thailand and Cambodia, and the continued presence of Malayan terrorists in the relatively inaccessible jungle areas of the Thai-Malayan border make it important to seek ways to continue to improve the capacity of the Thai police and related security forces and further to capitalize on the substantial progress achieved in this field. The presence on Thai territory of a large Chinese minority and a considerable number of leftist-oriented Vietnamese refugees likewise contributes to the importance of this program.

Guidance

35. We should continue to assist the Thai Government in training and equipping police and security forces capable of maintaining internal security and detecting and containing subversive activities. We should direct at least part of such training toward [1 line of source text not declassified] helping to increase popular support of those forces and minimizing discontent toward them. We should encourage Thailand to improve control of border crossing by subversives, particularly to and from Laos, and promote as feasible improved Thai liaison with appropriate police and security officials in all neighboring countries. We should particularly encourage Thai officials to improve cooperation with their Malayan counterparts in wiping out the surviving "hard

core” of Malayan terrorists along the Thai-Malayan border. We should encourage active Thai cooperation and coordination with SEATO in the field of counter-subversion. We should use every effort to have incorporated into Thai military and police training materials elements which will foster a spirit of resistance to subversion and aggression and faith in collective defense measures.

Information and Cultural Activities

36. U.S. informational, cultural and educational activities in Thailand are conducted against the background of difficulties of communication and lack of adequate media of expression common to most underdeveloped Asian countries. However, they are greatly facilitated by the cooperative attitude of the Thai Government and by the fact that the orientation of Thai government policy, both foreign and domestic, continues to be firmly anti-Communist and favorable to the free world.

Guidance

37. We should continue to strengthen U.S. informational, cultural and educational activities, as appropriate, to expose Communist aims and techniques and to deepen the sense of community of interest and purpose which binds Thailand to the free world. We should encourage and, as feasible, unobtrusively assist the Thai Government to publicize the benefits of cooperating with the free world in general and specifically to give appropriate recognition to its use of American aid as evidence of American concern for Thailand’s welfare.

38. We should encourage greater Thai participation in developing SEATO activities in the cultural, educational, labor and information fields, with a view to obtaining wider dissemination through various media of materials exposing Communist subversion and publicizing the benefits of SEATO membership. We should foster more cultural exchanges between Thailand and other free Asian nations and encourage the Thai wherever appropriate to assume leadership and initiative in sponsoring such contacts.

39. We should continue to place special emphasis and priority in carrying out our programs on the importance of reaching second echelon potential leader elements, particularly among the younger ranks of the civil service, those whose position and sense of civic responsibility enable them to exert a significant influence on actions affecting the general welfare of the urban and rural masses, and those among the youth and intelligentsia who are politically active and influential in molding public opinion and attitudes.

Attitudes Toward U.S. Personnel Overseas

40. The acceptance by the people and government of Thailand of the presence on their soil of official U.S. personnel directly affects our capability to achieve our national security objectives. To this end, programs should be developed and improved to encourage and strengthen the natural inclination of the individual American to be a good representative of his country and to promote conduct and attitudes conducive to good will and mutual understanding. In this connection, the OCB has developed two comprehensive documents which contain recommendations for action and serve as guidance for senior U.S. representatives overseas:

- a. "United States Employees Overseas" (April 1958) and
- b. "Report on U.S. Personnel Overseas" (July 1959), which also contains a reprint of the Conclusions and Recommendations of the 1958 report.⁴

Guidance

41. Insure that U.S. official personnel and their dependents are aware of the importance to the United States of their role as personal ambassadors;

42. Develop and strengthen activities that promote good personal relations between foreign nationals and U.S. personnel;

43. Develop and strengthen activities aimed at maintaining respect for local laws and customs and a high standard of personal conduct by U.S. personnel; and

44. Hold the number of U.S. official personnel in Thailand to a strict minimum consistent with sound implementation of essential programs.

Note: NIE applicable to Thailand: NIE 62-58, Thailand, August 19, 1958.⁵

⁴ Neither printed. (*Ibid.*, Overseas Personnel)

⁵ See Document 495.

549. Memorandum From the Deputy Director of the Bureau of Intelligence and Research (Berry) to the Acting Secretary of State¹

Washington, May 13, 1960.

SUBJECT

Intelligence Note: *Thanat's Resignation Points Up Stresses in US-Thai Relations*

The resignation on May 12 of Thailand's Foreign Minister, Thanat Khoman, which he attributed to the conclusion of the US-Indian grain agreement earlier this month,² is a reflection of growing Thai irritation with the United States and foreshadows new stresses in US-Thai relations. The Thai may be expected to step up their efforts to obtain more favored treatment from the United States, and probably intend to press this issue in connection with the upcoming SEATO Council meeting in Washington.³ They might also make some limited moves in the direction of the Sino-Soviet Bloc, such as by removing their embargo on trade with Communist China. However, personal factors probably also played some part in Thanat's resignation. Furthermore, despite Thanat's reported threat that Thailand would undertake an "agonizing reappraisal" of its position in SEATO, we do not believe that responsible Thai leaders are seriously contemplating abandonment of Thailand's close ties with the United States.

For some time past, Marshal Sarit and other Thai leaders have been resentful over what they have considered shabby treatment of Thailand in the apportionment of US economic aid. They have made pointed comparisons with the help given by the United States to neutralist countries, particularly to Cambodia with which Thailand has a longstanding feud, and more recently to India. The Thai appear convinced that the new four-year commitment by the United States to supply a very large quantity of wheat and rice to India will cut into Thailand's own market for its predominant export earner, rice.

The personal position of Thanat, a former Ambassador to the United States and considered a good friend of this country, had apparently been weakened not only by his inability to obtain more favorable treatment for Bangkok but also by frictions between himself and King Phumiphon and possibly between himself and various leaders of the ruling military group. Thanat may have seen in the US-

¹ Source: Department of State, Central Files, 611.92/5-1360. Confidential.

² The agreement was concluded on May 4; the text is in 11 UST (pt. 2) 1544. An announcement by the Department of State summarizing the terms is in Department of State *Bulletin*, May 30, 1960, p. 889.

³ The sixth meeting of the SEATO Ministerial Council took place in Washington, May 31–June 2; see volume xvi.

Indian grain agreement a patriotic basis for resigning before being dismissed. It is also possible that Thanat, an emotional individual, resigned in pique and might resume his position in the cabinet at some later date.⁴

⁴ Prime Minister Sarit Thanarat refused to accept Thanat's resignation and he stayed on as Foreign Minister.

550. Editorial Note

On May 17, Ambassador Johnson delivered an address at Wayne State University in Detroit on the subject of U.S.-Thai cooperation; for text, see Department of State *Bulletin*, June 20, 1960, pages 1001-1006.

551. Memorandum of a Conversation, White House, Washington, June 29, 1960, 11:15 a.m.¹

SUBJECT

Call by King of Thailand on the President

PARTICIPANTS

President Eisenhower
Christian A. Herter, Secretary of State
U. Alexis Johnson, U.S. Ambassador to Thailand
John M. Steeves, Acting Assistant Secretary of State for Far Eastern Affairs

His Majesty King Bhumibol
Foreign Minister Thanat Khoman
Ambassador Visutr Arthayukti

¹ Source: Department of State, Presidential Memoranda of Conversation: Lot 66 D 204. Secret; Limit Distribution. Drafted by Steeves on June 30, and approved by the Secretariat in the Department of State on July 1 and by Goodpaster on July 9.

King Bhumibol and Queen Sirikit of Thailand visited the United States, June 14-July 14, and were in Washington on their State visit, June 28-July 2. For text of the joint communiqué issued by the President and King Bhumibol on July 1, see Department of State *Bulletin*, July 25, 1960, p. 146. On June 29, the King addressed a joint session of Congress; for text of his remarks, see *ibid.*, p. 144.

Most of the documentation on the preparations for the King's visit is in Department of State, Central File 792.11. Material on the stay in Washington, June 28-July 2, is *ibid.*, Conference Files: Lot 64 D 599, CF 1711 and 1712.

General Luan Sura Narong

The President spent approximately fifteen minutes alone with the King of Thailand before the other participants were called in to join the conversation.

When the additional guests had been received by the President and had been seated, the President remarked in a somewhat humorous vein that he and His Majesty had reviewed briefly matters of mutual interest to the United States and Thailand, and he believed that there were no problems and therefore very little of substance to discuss.

Almost immediately, on his own initiative, the President raised the matter of rice which he said he knew to be a problem, growing out of the large contract for surplus grains which we had made to India under PL 480. The rice portion might have adversely affected the marketing of Thai rice. The President then discussed our surplus grain problem, pointing out that it was not only a problem of considerable magnitude to the United States economically, requiring us to dispose of it in the most appropriate ways, but that in face of the known needs of hungry people here and there in the world, there was a humanitarian aspect added to the economic one. He pointed out in passing that in wheat alone we had approximately a two-year surplus in reserve in our storage bins, which was costing us about \$1,000 a minute to store, or a billion dollars annually. It would certainly appear unseemly to dispose of it in any wasteful manner but, if at all possible, it ought to be brought to bear upon the proven needs which exist in the world. India was one such place.

The President himself raised the question as to why we had added rice to the wheat deal with India and that, on second thought, it might have been better to confine it to wheat rather than complicate the marketing pattern in the area by including rice in the agreement. The Secretary explained very briefly that while a large measure of India's needs could be met with wheat, this was not completely possible. Substitution was possible to a degree, but India strongly desired rice as well. It was further pointed out that much of the rice would be used as stockpile for reserve and that it therefore did not have a very heavy impact on the immediate marketing patterns in the area.

The King showed a remarkable understanding of the transaction and made haste to point out that the intrinsic effect was not very serious, that Thailand had been able to sell her rice and that it was therefore somewhat of a psychological problem. The Foreign Minister and the King both pointed out that Thailand relied very heavily upon the sale of rice as national income, receiving from this source alone approximately 50 percent of its foreign exchange. The Foreign Minister did not in any way disagree with the King, assenting to the fact that a

large part of the problem was a psychological one, but he did point out that whereas they had disposed of the required volume of rice the monetary returns had been slightly less than standard, due to reduction in price.

The President responded wholeheartedly to the implied suggestion that better coordination and consultation were required with our friends in the disposal of our surplus grains. He said that what we ought to do is to devise a technique something like our wheat agreement, whereby we sat down in consultation with our friends to improve distribution and to minimize the adverse effects which do result when the entire program has not been carefully worked out. He further gave the King and the Foreign Minister the assurance that the United States would not conduct our PL 480 operations in such a way as to replace Thailand's normal marketing opportunities.

There was a general discussion of Thailand's financial position. It was pointed out by Ambassador Johnson that Thailand deserved a great deal of credit for the sound manner in which she had managed her financial affairs and maintained one of the best exchange positions in the world. Thai currency was very hard and Thailand's position was sufficiently good so as to require very little control in order to maintain the integrity of the baht as compared with the dollar. This analysis brought forth complimentary remarks from the President and the Secretary of State, to the obvious pleasure of the King and his associates.

Some discussion took place with respect to the development of rubber in Thailand, her relationship to world tin markets and, later, some response to the President's question about Thailand's interest in developing industry. The King and the Foreign Minister explained that Thailand had taken steps to create a favorable climate for foreign investment, to which the President responded by discussing briefly the need to maintain conditions which would continue to attract foreign investment. He said he was glad to know that Thailand had created such conditions.

No other matters of substance were discussed, and the forty-five minute conversation broke up with the President showing His Majesty a number of paintings in his office in which the King obviously had great interest. The entire meeting was extremely cordial throughout. Great understanding was manifested on both sides. It is to be noted that the Foreign Minister discussed the rice situation very dispassionately and objectively, despite the fact that in the past this has been a subject to which he has periodically reacted with some emotion.

**552. Memorandum of a Conversation, Department of State,
Washington, June 30, 1960, 4:15 p.m.¹**

SUBJECT

PL 480 Rice Disposal Consultations

PARTICIPANTS

Thanat Khoman, Foreign Minister of Thailand
Visutr Arthayukti, Ambassador of Thailand
C. Douglas Dillon, Under Secretary of State
U. Alexis Johnson, United States Ambassador to Thailand
Harlan P. Bramble, OR
Frank S. Wile, SEA/E

Foreign Minister Thanat and Ambassador Visutr called on Mr. Dillon by appointment at 4:15, June 30, 1960, pursuant to an oral understanding reached during the recent SEATO meeting, to discuss possible improvement in methods of consulting on PL 480 Title I disposals of rice.

Mr. Dillon stated that the King's visit to the United States had been most successful to date and noted that the subject of improving rice consultations had been brought up in the June 29 conversation between the King and President Eisenhower. Mr. Dillon noted that, as agreed during the SEATO meeting, the US would be pleased to work out with Thailand a better system of consulting on Title I rice disposals. He stated that with regard to wheat disposals the US consulted regularly with other wheat exporters on a multilateral basis rather than bilaterally, transaction by transaction, and wondered whether such a system might not be applicable to rice disposals. If agreeable to Thailand and others, the US would be willing to sit down once or possibly twice a year with Thailand, Burma and Vietnam preferably in Washington to discuss rice exports, particularly Title I disposals in Asian markets. He thought such an informal device was more efficacious than attempting to use presently existing SEA study groups because these groups usually contained representatives of consuming countries. In US experience in wheat it had proved better to limit the consulting group to exporters. Mr. Dillon stated that the US would be prepared to be represented at the Assistant Secretary or Deputy Assistant Secretary level and supported by representatives of the Department of Agriculture for as long as it would take to freely exchange views and reach understanding on export goals and problems, indicating that such could probably be done in four or five days.

¹ Source: Department of State, Conference Files: Lot 64 D 559, CF 1712. Confidential. Drafted by Wile. Foreign Minister Thanat Khoman also met separately with Secretary Herter on June 30 to discuss the situation in Cambodia; the memorandum of conversation is *ibid.*

The Foreign Minister noted that the British had attempted to use the informal multilateral consultation device before and that it had not worked out well since consumers as well as producers were represented. He queried how the US envisaged such consultations would take place. Mr. Dillon stated that while multilateral consultations would be held at least once a year, semi-annual consultations could take place if desirable. Representation would be essentially among experts in rice who would discuss plans and problems in particular markets. A consultation of this kind would provide a means of getting together and should provide a new dimension to understanding common problems. Individual transactions would then be handled within the context of those consultations and would not require consultation unless they departed from the understanding reached during the previous multilateral consultation. Discussion would not be restricted to non-commercial sales but would include commercial sales as well.

As for timing of the first multilateral consultation meeting, the Foreign Minister stated that late December 1960 or January 1961 would be best for the three SEA countries since by that time their crop would have been harvested. It was noted that the US crop was harvested in the summer. Mr. Dillon accepted the Foreign Minister's suggestion that the first consultation should be held in Washington during the first half of January 1961 since the Christmas Holidays would make the latter part of December impracticable. He agreed that the annual program for rice shipments to India as provided in the recent wheat-rice agreement with India should be discussed at these meetings. Mr. Bramble pointed out that the Indian agreement provided for an initial consultation with India in August. Mr. Dillon confirmed that this was the case and indicated that the US would have to consult bilaterally with Thailand on this matter.

The Foreign Minister noted that the global marketing concept does not satisfy Thai Government moods. He wondered whether it was not possible to unofficially ask receiver countries to purchase rice from specific countries. Mr. Dillon noted that similar problems had arisen with regard to wheat and that a satisfactory solution had usually been reached. The Foreign Minister also remarked that timing on specific rice offers was extremely important, noting that in the case of the recent wheat-rice deal with India, Thailand felt that it was given insufficient notice. Mr. Dillon said he now realized that in the desire to make it possible for Minister Patil³ to sign the agreement during his stay in Washington, there had probably been insufficient time allowed for meaningful consultations with SEA countries. Mr. Dillon stated that we would have no objection to discussing rice prices at the consultation meeting but we could not enter into a commodity agreement

³ S.K. Patil, Indian Minister of Food and Agriculture.

to fix rice prices. Foreign Minister Thanat stated that the multilateral consultation approach was fully acceptable to his government and assumed that the US would handle the matter of approaching Burma and Vietnam. Mr. Dillon replied that this would be done and that if Burma and Vietnam agreed, invitations would be extended to all three governments to hold the first meeting in January 1961. He stressed to the Foreign Minister the desirability that all three countries send their most technically qualified rice specialists to this meeting since we would be doing the same.

553. Letter From the Chargé in Thailand (Unger) to Prime Minister Sarit Thanarat¹

Bangkok, July 1, 1960.

EXCELLENCY: I take pleasure in advising Your Excellency that American aid to Thailand for Fiscal Year 1960 has recently been increased in the amount of \$602,000 for Technical Assistance and \$325,000 from the Special Private Investment Development Fund. An additional \$597,000 has been provided for regional projects in which Thailand is a major beneficiary. This aid is over and above the \$4.3 million of Technical Assistance, \$315,000 of Special Assistance for the eradication of malaria, and \$18.5 million of Defense Support funds which Ambassador Johnson advised you had been made available to Thailand in his letter of November 7, 1959.²

These additional funds have been made available by the International Cooperation Administration, Washington, D.C., for the following specific continuing projects:

[Here follows a listing of seven specific projects.]

In view of the high priority your Government has placed upon these projects, we are very pleased indeed that these additional funds could be made available.³

¹ Source: Department of State, Central Files, 790.5–MSP/7–2060. Unclassified. The source text is a copy sent to the Department of State as an enclosure to despatch 26 from Bangkok, July 20.

² Document 535.

³ Despatch 26 also forwarded a copy of Prime Minister Sarit's letter of acknowledgment dated July 8. In it, he thanked Unger and Ambassador Johnson for their untiring efforts in supporting Thailand and expressed appreciation and gratification at the increase in aid which would serve to strengthen Thai security.

With kind personal regards, I am,
Respectfully yours,

Leonard Unger⁴

⁴ Printed from a copy that bears this typed signature.

554. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, September 2, 1960—7 p.m.

421. Following my return I have reviewed situation Thailand with Country Team, and particularly with USOM have reviewed situation with respect economic aid for FY 62. I am persuaded political considerations demand expanded program and economic situation invites such expansion. Therefore I strongly endorse program for 31 million dollars submitted by USOM August 29 for FY 62.

Today Thailand relatively favored country in Asia in its ratio population to resources and this contributes strongly to stability. Rapid population growth (now estimated 2.75 percent per annum) could, however, present country in relatively short span of years with economic and social pressures well-known elsewhere Asia. Obviously desirable Thailand take steps now which will prepare accommodate such population growth so as to turn it into asset rather than liability, assuring expanding economy and rising per capita income. This matter of central concern U.S. because Thailand basically most stable country this region, in best position cooperate effectively in promoting common interests, and has come to represent in Asia dignified, self-respecting nation, outspoken friend of U.S. and our policies but in no sense a satellite.

Since Thailand crucially important to U.S. we must also face immediate problem in Thai-U.S. relations posed by contrasts in political outlook this region. For sound reasons USG assists, sometimes substantially, neutralist countries which also accepting assistance from Communist bloc. However, Thais increasingly impressed by fact countries like Cambodia, while bearing none of responsibilities for free world defense (from which they clearly benefit), nonetheless receive substantial U.S. aid and also considerable aid from Communist side and thus seem successful in pursuing policy of having best both

¹ Source: Department of State, Central Files, 792.5-MSP/9-260. Confidential. Repeated to Saigon, Vientiane, CINCPAC for POLAD, Phnom Penh, and Rangoon.

worlds. Thais particularly disturbed at current reports U.S. aid to Cambodia may be substantially increased. Most recently Thais have been especially distressed possibility development another Sihanouk-type regime in Laos and at possibility U.S. would deal in same generous manner with such regime.

These considerations have persuaded me and Country Team that our economic aid program, as important arm our foreign policy, must be used to assure Thais our continuing recognition their role and to redress imbalance vis-à-vis neutrals (who receiving aid from two directions) by U.S. offering join them major cooperative effort for accelerated economic development over coming years. Believe continued stability and friendly orientation Thailand depends on several factors but of major importance is that Thais feel steady modernization and economic improvement taking place and that U.S. contributing thereto. Accelerated development can be accomplished with grant funds not greatly larger than previous years. Believe it should come now, however, before Thais tempted further toward conclusion that turn in neutralist direction desirable for them also. This sentiment strengthened by recent Laos developments.

Fortunately, political situation coincides with stage in development Thai economy which invites application expanded technical assistance, preparation for loans through surveys and support of economic infrastructure construction, leading into program accelerated development and, eventually, self-sustaining growth status. FY 62 submission emphasizes timely assistance Thailand to set stage for what frequently called "economic takeoff".

Thailand's existing infrastructure, its fiscal conservatism, its control of inflation, all augur well for Thailand's ability to sustain and even augment its growth above current 4 to 5 percent annual level. FY 62 program conceived as basis for moving into quid pro quo relationship under which TG would further modify tax structure and collection techniques, take steps improve agricultural productivity, formulate rational economic plan for allocation public sector resources, enact final legislation to promote private investment, reduce raw material import duty rates to encourage infant industries, etc. FY 62 program also places major emphasis on engineering and economic feasibility surveys which are necessary precondition if Thailand is to make optimum use DS funds succeeding years and enable TG take advantage loan possibilities such institutions as IBRD, IDA and DLF. Without augmentation DS to level approximately that proposed Country Team submission, surveys of type contemplated could not be achieved and prediction sustained economic growth Thailand could not safely be made.

Fact that Thailand seeking economic development in free economy and if successful will provide demonstration to other SEA countries of value this system also speaks for intensifying our cooperation with Thais for such development. Furthermore, Thailand over recent years has not been seduced by lure of large-scale prestige projects but has approached economic development on more modest, pragmatic basis, recognizing wisdom gradual industrialization and giving thought how this can proceed without dangerous disruption social structure.

Strong military argument can also be made for expansion U.S. aid to Thailand. In recent years total budgetary appropriations to Thai defense ministry have declined in both absolute amount and to even greater extent in terms percent total budget. They now constitute less than 17 percent total Thai budget as compared with 20 percent several years ago. These reductions military appropriations reflect emphasis Sarit government on economic development. We believe this emphasis conforms with popular sentiment Thailand, and this conformity presumably reason military administration of Thailand giving more emphasis to economic development than to military power. Were U.S. to reduce its overall economic aid level we believe TG itself would attempt to compensate for shortfall by increasing own economic development expenditures. This could be accomplished by inflationary measures, or by further reduction in military appropriations. As emphasized Embtel 243, either consequence would result in setback U.S. objectives.² In view conservatism Thailand's financial leaders, success recent years measures control inflation, and necessity continue minimize inflation in view requirements for larger aid from such external sources as IBRD, we believe that were Thailand forced take either of two steps (i.e., inflationary financing, reduction of military appropriations), likely alternative would be reduce expenditures to military with consequent deterioration military capabilities.

If Washington concurs in recommended FY 62 program it would be my intention approach Prime Minister Sarit at early date with concept of expanded Thai-American effort in economic development field. Concept would rest on premise stated by King of Thailand in Washington (and also often stated by Sarit) that Thailand does not wish continue receive aid indefinitely; effort would be aimed at putting Thailand in position several years hence to sustain her own growth with help through loan and private investment. Such a presentation would not enter into specific figures but would rather examine directions in which Thai economy can expand and how U.S. can help.

² In telegram 243, August 13, Unger urged strongly that the defense support figure of \$16 million for Thailand proposed in the fiscal year 1961 program submission be raised to \$20.6 million. (*Ibid.*, 792.5-MSP/8-1360)

Would have to make clear what kinds of actions would have to be taken by Thai Government if such a program were to have chance of success, and commitment that requisite TG actions and U.S. assistance would be closely geared. Would of course have to be noted that U.S. assistance must depend on availability funds from Congress and supply of necessary technicians and others to carry on on U.S. side. Such factors would obviously affect rate of accomplishment as would progress of TG in carrying out actions depending on it. Only after such preliminary exploration at top level made and depending on degree of enthusiasm and resolve on part of Thai Government would we turn to more concrete discussion of types and levels U.S. assistance and specific measures which we would expect the Thai Government to take on its side.

I recognize program of magnitude recommended for FY 62 not in keeping target figure mentioned guidelines, nor does it represent gradual reduction sought by Mansfield Amendment.³ However, in view political, economic and military considerations reviewed above I am persuaded that we must now make at least relatively modest reevaluation of our economic cooperation with Thailand embodied in FY 62 USOM submission.

Johnson

³ The Mansfield Amendment, proposed by Senator Mike Mansfield (D.-Mont.), was incorporated into the Mutual Security Act of 1959, P.L. 86–108, approved July 24, 1959, in Section 401 (a). (73 Stat. 252)

555. Telegram From the Department of State to the Embassy in Thailand¹

Washington, October 9, 1960—7:48 p.m.

498. Following is a draft text of letter which Department considering proposing for high-level signature.² Appreciate your comment soonest. (Paras numbered for your convenience)

¹ Source: Department of State, Central Files, 792.11/10–960. Secret; Priority; Limited Distribution. Drafted in SEA by Swezey and Wile, cleared in several offices, and approved by Steeves. Repeated to CINCPAC for POLAD.

² As originally drafted, this sentence indicated that the letter was proposed for the President's signature.

Begin Verbatim Text.

Dear Mr. Prime Minister:

1. The recent visit of Their Majesties the King and Queen to the United States was a major milestone in the long and happy history of relations between our two countries and I believe that it was a tremendous success. At that time I had the pleasure of a cordial and useful exchange of views with His Majesty the King. The communiqué issued following this meeting indicates our mutual concern with the vital problems of preserving freedom and independence, achieving lasting peace, and establishing a world order based on international justice. We reasserted our mutual determination to work towards these goals, believing that this would contribute immensely to the progress, prosperity, and welfare of mankind.

2. His Majesty and I likewise noted that the staunch adherence of Thailand and the United States to the Southeast Asia Treaty Organization demonstrates a mutual determination to preserve the frontiers of the free world from aggression and to promote the peaceful objectives shared by both countries. I took this opportunity to pay tribute to the steadfast partnership of Thailand and the United States in all fields and reaffirmed to His Majesty the unwavering determination of the United States fully to honor its treaty commitments undertaken in the cause of collective security.

3. In this light I have carefully followed the situation confronting the free world owing to recent difficulties in Laos. I fully share the anxiety of the Royal Thai Government concerning this situation and assure Your Excellency that the United States Government is giving it the most urgent and serious attention.

4. It is a mutual objective of Thailand and the United States that an unfriendly regime not be established on the border of Thailand. Our principal purpose in Laos continues to be to bring together all patriotic elements determined to maintain the country's independence and integrity against external aggression and internal subversion and to preserve its ties with the free world. I am very pleased that in this situation our two countries have maintained the closest possible contact in our search for the best ways of defending our mutual interests. I wish to assure Your Excellency that the United States, for its part, will take all possible measures to prevent a Communist seizure of power in Laos.

5. As regards relations between Thailand and the United States, I wish to assure Your Excellency that the preservation of the independence and integrity of Thailand continues to be a matter of the highest concern and importance to the United States and that Thailand will have the unswerving support of the United States, as an ally and friend, in resisting both Communist aggression and subversion. I con-

sider Thailand a mainspring of free world strength in Asia, whose contribution towards mutual objectives is of such significance that we must strive together to reinforce and sustain its strength and well being.

6. Our continuing military and economic assistance programs constitute an earnest of our intentions in this respect. I am able to inform you that the level of aid programmed for Thailand for 1961 is higher (FYI: This refers to combination of military and economic assistance. End FYI) than that provided for 1960, although our aid programs are being decreased in many countries. I trust that this will serve to reaffirm the importance which we attach to the continued strength and stability of Thailand.

7. The United States Government is fully prepared to explore with the Royal Thai Government measures by which economic development can be accelerated in Thailand. I have accordingly requested appropriate departments of the government to undertake a careful review of ways in which this important objective can be furthered through mobilizing the resources of Thailand for self-sustained economic growth. Officials of my Government are impressed with Thailand's favorable prospects for more rapid development and its potential ability to profit from external capital availabilities as the emphasis in United States assistance programs shifts from a grant to a loan basis.

8. It is my earnest hope that this initiative, conceived in the spirit of my conversations with His Majesty the King, will serve to illustrate the abiding importance which the United States Government continues to place on its friendship and alliance with Thailand.

End Verbatim Text.

FYI: If RTG were to be responsive to concept set forth Para 7, we are prepared send team at appropriate time composed State, ICA, and DLF to work with CT in discussion with RTG. Country Team's comments desired urgently. Would particularly appreciate elaboration points outlined Embtel 421³ re 1) timing approach to Sarit, 2) type by specific project of US help envisioned, 3) nature of quid pro quo and 4) indication when substantive exploratory talks would be held. Believe it most important proposal for closer cooperation be given thorough study by CT in concert with Washington agencies before approaching RTG and that we minimize possibility of any open end commitments and any uncertainty on part US concerning timing and content proposal.

Herter

³ *Supra.*

556. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, October 13, 1960—1 p.m.

652. Regret reply to Deptel 498² delayed because of overwhelming work connected Parsons and Passman³ visits.

Consider general concept of letter excellent but on reflection and study draft, withdraw my previous recommendation it contain specific reference to Laos. Fear that such specific linking Laos and Thai economic development leaves letter too open to interpretation that our interest in increased Thai economic development aroused only because events in Laos. Believe juxtaposition events in Laos and letter speak well enough for themselves.

Therefore suggest deletion numbered paras 3 and 4. (While there no opportunity full discussion with Parsons, he saw Department's draft and concurred in desirability deletion specific reference to Laos.)

Numbered paragraph 1. Suggest rewording first two sentences as follows:

"The recent visit of Their Majesties the King and Queen to the United States was a major milestone in the long and happy history of relations between our two countries and I believe it was extraordinarily successful. At that time I had the pleasure of a cordial conversation with His Majesty the King on international developments."

Foregoing change is only stylistic and designed to get away from conventional "communique-type" language.

No changes suggested paragraph 2.

Paragraph 5. Delete phrase "as regards relations between Thailand and the United States". Insert following sentence between first and second sentences:

"I entirely agree with Your Excellency's recent statement that we must preserve the strong bond of cordial friendship between our two countries and use our concerted efforts in overcoming the world crisis as though we are now in the same boat sailing on a rough and dangerous sea heading toward safety and welfare."

In the last sentence I am inclined to prefer "bulwark" for "main-spring".

Paragraph 6. Reword this paragraph to read as follows:

¹ Source: Department of State, Central Files, 792.11/10-1360. Secret; Priority; Limit Distribution. Repeated to CINCPAC for POLAD.

² *Supra.*

³ Otto E. Passman (D-La.), member of the House Appropriations Committee.

"Our continuing military and economic assistance programs to constitute firm evidence of our intentions in this respect. I am particularly pleased in this connection to be able to inform you that although our aid programs are again being decreased in many countries, the total level of aid programs for Thailand for fiscal year 1961, including military as well as economic assistance, is higher than that provided in fiscal year 1960. I know of Your Excellency's own interest in this subject and trust that this will serve to reaffirm the importance which we attach to the continued strength and stability of Thailand."

Paragraph 7. Reword this paragraph to read as follows:

"I also want you to know that looking to the future, the United States is fully prepared to explore with the Royal Thai Government measures by which economic development can be accelerated in Thailand and its self-sustained economic growth achieved. I have accordingly requested the appropriate departments of the government to undertake a careful review of the ways in which these objectives can be achieved by additional assistance from my government combined with additional steps by your government to mobilize the resources of Thailand. In this connection I am impressed with Thailand's favorable prospects for more rapid development and its potential ability to profit from external capital investment as the emphasis in United States assistance programs shifts from a grant to a loan basis, and as the opportunities for private investment in Thailand become increasingly well-known."

Paragraph 8. Substitute "cooperation" for "alliance" in the latter part of the sentence.

Following keyed to numbered points last paragraph reftel (FYI portion).

1. Soonest (see number 4 following).

2. Projects we recommend include:

(A) Three irrigation projects already submitted would have greatest impact Thai economy and could help revolutionize Thai agriculture by permitting double cropping some areas, increased productivity others.

(B) Agricultural productivity and diversification assistance to maximize benefit foregone and improve techniques throughout Thailand.

(C) More roads. Need here, while finite, almost limitless. Good roads needed north, east, south, west, e.g., to complete east-west lines Pakse Mae Sod, projected Asian Highway, all-weather through route Bangkok to Malaya, Bangkok to Chiangmai and north to Burma.

(D) Additional grant funding required complete regional telecommunications project.

(E) Provincial electric power.

(F) Emphasis on surveys as spelled out FY 62 country program book submitted by Country Team.

3. The quid pro quo should include TG affirmation continue certain existing policies and commitments in addition new steps designed augment capital accumulation. For example, existing items where reaffirmation desirable:

(A) Financial and monetary measures to assure continued stability baht, including reaffirmation pledge of type given IBRD to avoid inflationary deficit financing in excess 300 million baht any year.

(B) More vigorous TG emphasis on private enterprise direction of economy including orderly action by government divest self of present commercial and industrial holdings and abstinence enter NEA fields which private capital can finance.

(C) Continued emphasis industrial promotion. (New law should become effective imminently since it now lacks only signature.)

(D) Promulgation national plan using guidelines IBRD 1959 report.

(E) Continued budgetary emphasis education, agriculture and other features advance socio-economic progress of country. Foregoing illustrative listing, plus successful policies recent years (such as maintenance baht stability, lack serious inflation, attraction foreign investment, growing tourism) indicate that Thai quid pro quo in large part would involve continuation what being done.

Among new actions suggested are:

(A) Revision revenue code not necessarily to raise tax rates, but in effort simplify and rationalize code.

(B) Improved tax administration, especially to collect taxes due but not now being paid.

(C) Implementation those Beitzel Mission recommendations not yet acted upon.⁴

(D) Identification, recruitment where necessary, and utilization of skilled personnel resources, which now unnecessarily haphazard in TG. This may require alteration civil service salary scale to give incentive to technically skilled and short supply occupations.

4. On my return from US I told PriMin that I had many discussions on economic matters in Washington and as soon as time was available desired to discuss with him. This has been prevented up to now by pressure Lao events on both of us. However, this gives me excellent opening to hold discussions with him along lines our thinking as set forth above, including quid pro quos we would have in mind from Thai side. Believe it probably be preferable hold such general discussion with him and obtain presumably positive general response

⁴ Reference is to a report entitled "Expanding Private Investment for Thailand's Economic Growth," prepared by a six-man U.S. investment survey team headed by George B. Beitzel, Director of Pennsalt Chemicals, Inc., of Philadelphia and released on November 29, 1959. The report recommended that the Thai Government improve its already favorable investment climate by making a strong effort to streamline government procedures, negotiate certain treaties affecting investment, and reduce government participation in commercial enterprises. For text of a press release concerning the report, see Department of State *Bulletin*, December 21, 1959, p. 909.

prior to delivery of letter. Believe in this way may minimize possibility Sarit will seize upon mention in letter of increased assistance while slurring over quid pro quo aspects, and thus reduce possibility of our having appeared to have entered into any open-end commitment. Would be prepared quickly see him upon receipt Department's instructions and views and should be able deliver letter a week or so thereafter. Will advise later on composition and timing of proposed Washington team in light of Thai reaction to foregoing steps.

Johnson

557. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, October 19, 1960—7 p.m.

704. According to info received by JUSMAG from CINCPAC the amount of \$one million four hundred five thousand three hundred (\$1,405,300) of POL for Thailand in FY 61 program has been deferred by Department and DOD has submitted reclama.

Chief JUSMAG Message 8012 DTG 0709552 October 1960 to CINCPAC² repeated OSD and JCS summarizes current factual situation with respect POL. If POL not programmed practical effects will be almost immediate especially on Navy and Army who are not authorized any reserve MAP stocks, and continuation deferral for any length of time will have most serious effect on both morale and combat readiness Thai Armed Forces.

Given critical Lao situation and understandable deep Thai concern over defense posture of Thailand as well as Thai concern over attitudes its SEATO allies, present is most inopportune time possible cease POL support. Also seems to me would be highly inconsistent with our present policy attempting to reassure Thailand our interest and concern.

Would appreciate being informed and having opportunity comment further if deferral is not soon to be lifted.³

Johnson

¹ Source: Department of State, Central Files, 792.5-MSP/10-1960. Secret.

² Not printed.

³ Telegram 564 to Bangkok, October 21, informed the Embassy that \$1,405,300 had been approved. (Department of State, Central Files, 792.5-MSP/10-1960)

558. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, October 22, 1960—2 p.m.

725. Reference Icato 467.²

1. I greatly appreciate Washington efforts in obtaining increase FY 61 DS level to \$19.5 million. Must however note that net amount available for strictly economic assistance (that is total of DS less amount for military construction) will be less in FY 61 than in FY 60. Do not intend disclose this figure to TG with addition TC until Dept's decision made re: Deptel 498³ and receipt information re: levels special assistance and availabilities to TG from regional project finding. Total availabilities for FY 61 urgently needed inasmuch as FY 60 assistance totaled \$24.639 million including \$18.5m. DS, \$4.3m. TC, \$315,000 special assistance funds for malaria eradication, \$602,000 added for technical assistance, \$325,000 for special private investment development fund plus \$597,000 for regional projects. These figures given Sarit by my letter November 7, 1959 and Unger's letter July 1, 1960,⁴ copies which sent Washington. Your advice to date indicates total only \$23.6 million for FY 61. Difference FY 60 \$24.639 million and present FY 61 availabilities \$23.6 will be accepted by TG as reduction. Urgently request advice re approval special assistance and regional project funds for FY 61, hopefully thus justifying statement proposed Embtel 652⁵ numbered para 6 "the total level of aid programs for Thailand for fiscal year 1961, including military as well as economic assistance, is higher than that provided in fiscal year 1960." (See Deptel 498, numbered para 6)

2. I had of course hoped for DS level \$20.6 million as recommended Embtels 243 and 411⁶ because of high level military construction in FY 61 DS program and primacy in Thailand's own thinking of economic development. I still hope it will prove possible raise DS level to \$20.6 million, which is the program I have supported as the minimal level.

3. Project level of \$1.3 million apparently excludes dollar funding economic feasibility surveys for which ICA/W proposes to use TC contingency funds. USOM classified project as DS because of nature of

¹ Source: Department of State, Central Files, 792.5-MSP/10-2260. Secret; Priority; Limit Distribution.

² Not printed.

³ Document 555.

⁴ Documents 535 and 553.

⁵ Document 556.

⁶ Regarding telegram 243, see footnote 2, Document 554. In telegram 411, September 1, Johnson briefly expressed his concurrence in the arguments contained in telegram 243. (Department of State, Central Files, 792.5-MSP/9-160)

facilities to be surveyed. However, willing accept ICA/W recommendations provided \$300,000 made available to cover dollar component TC funds. Attention called necessity revise proposed FY 1962 program increasing TC level to \$7,265,000 to provide forward funding this project.

Johnson

559. Telegram From the Department of State to the Embassy in Thailand¹

Washington, October 31, 1959—6:16 p.m.

608. Your 740 rptd info CINCPAC/POLAD 241.² In call on Parsons October 27 Thai Ambassador on FonOff instructions referred to démarche made by Acting Foreign Minister in Bangkok requesting us to give sympathetic consideration to releasing RTG from obligation to contribute baht funds for use USG in Thailand.³ Visutr said there was growing feeling in Thai governmental circles and public opinion RTG should allot larger share total budget to economic development and educational projects, stated RTG must take this feeling into account, and appealed for generous US gesture which would ease RTG financial problem at this time.

Parsons replied he understood RTG desire devote greater portion its revenues to economic and educational projects but expressed regret RTG had made such request, noting it customary for governments receiving military assistance from us to support local currency costs related thereto and willingness to do so usually considered here as indication their interest in continuing receive such assistance. He stated he was unable make substantive reply without having matter examined by appropriate government offices.

¹ Source: Department of State, Central Files, 792.5–MSP/10–2660. Confidential. Drafted by Swezey; cleared by offices in the Department of State and by the Department of Defense; approved by Avery F. Peterson. Repeated to CINCPAC for POLAD.

² In telegram 740, October 26, Johnson recounted a recent conversation with Foreign Minister Thanat concerning a Thai request to be relieved of the obligation under Article VIII of the military assistance agreement of October 17, 1950 (3 UST (pt. 2) 2675) to contribute baht funds for the use of the U.S. Government in Thailand. (Department of State, Central Files, 792.5–MSP/10–2660)

³ A memorandum of this conversation is *ibid.*, 751J.00/10–2760.

Department will advise as soon as review of Thai request completed.

Herter

560. Telegram From the Department of State to the Embassy in Thailand¹

Washington, November 2, 1960—10:13 p.m.

624. Your 768.² You are authorized to make the statement you propose to the Foreign Minister in a secret letter from you, provided you delete words "without delay".

Department considers that it can grant this authorization because such statement does not constitute any US obligations or commitments to Thailand beyond those already undertaken by the US as a signatory of the SEATO Treaty.

The Department believes that it would be inappropriate to allow the Thai Govt. to consider that in making this statement it is our intention to undertake any bilateral commitment to Thailand beyond our SEATO obligations. You should therefore advise the Foreign Minister when you give him the written statement that we regard it as a reaffirmation of our determination to stand firmly behind our SEATO obligations to Thailand and to act upon them fully.

FYI. If you consider essential include words "without delay", will be necessary obtain White House concurrence. End FYI.

Herter

¹ Source: Department of State, Central Files, 751J.00/10-2860. Top Secret; Niact. Drafted by Richard E. Usher, cleared with appropriate offices in the Department of State, and approved by Merchant.

² In telegram 768, October 28, Johnson requested authorization to make the following statement to the Foreign Minister in a secret letter:

"USG assures TG that if situation in Laos should result in identifiable external Communist aggression against Laos or Thailand U.S. would take gravest view of situation and assures TG that U.S. would, in accordance its obligations under SEATO, without delay take appropriate measures as may be required to meet situation." (*Ibid.*, 751J.00/10-2860)

561. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, November 3, 1960—6 p.m.

795. Delivered letter to Thanat this afternoon accordance with Deptel 624.² Although he had not retained any copy text contained Embtel 768,³ he immediately noticed absence of words “without delay” but did not pursue matter nor make issue out of it. I made my statement accordance third para refTel. Thanat said he regarded our statement as somewhat similar to our expressions to ChiNats on Quemoy and Matsu, that is US would, if necessary, take executive action rather than necessarily waiting for Congressional authorization as implied in Manila Treaty.⁴ I said I could not agree that letter in any way modifies our obligations under SEATO treaty, it merely reaffirmed them. It was not possible for me to predict all circumstances under which Executive might take action without Congressional approval and on which Executive may consider Congressional approval necessary. Letter was not “new treaty” between U.S. and Thailand but only reaffirmation our determination stand firmly behind SEATO obligations to Thailand and act upon them fully. Thanat did not pursue subject further but accepted letter as satisfactory.

Johnson

¹ Source: Department of State, Central Files, 792.00/11–360. Top Secret. The source text bears a receipt date of November 8 and a typed notation that the delay was due to mishandling in the Telegraph Branch of the Division of Communications.

² *Supra*. A text of the letter was sent to the Department in despatch 269 from Bangkok, November 4. (Department of State, Central Files, 751J.00/11–460)

³ See footnote 2, *supra*.

⁴ Reference is to the Southeast Asia Collective Defense Treaty. (6 UST 81)

562. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, November 5, 1960—2 p.m.

809. Reference: Embtels 789 and 797 (latter paraphrased in our telegram repeated to Moscow 2).² Statements by Prime Minister and Luang Wichit on closer relations with and possible acceptance of aid from Soviets are rather transparent tactics designed give US dramatic warning that Thailand serious about (1) their dissatisfaction with US attitude on Lao situation and their feeling US and SEATO actions to meet dangers to Thailand inadequate, and (2) long-standing complaint that "neutrals" not only receive more aid, which committed nation like RTG foregoes, but also are better treated by US than committed nation. At present I do not believe that government will implement Prime Minister's general statements to any significant extent. Interesting to note in support of view this done for US benefit that *World* editor Berrigan told Embassy officer here of call from Public Relations Department calling special attention to Soviet Ambassador's "offer" and Thailand response, thus assuring that it would get big splash in English-language press.

Of course even if only tactical move on part of Thailand it dangerous one. Left-wing and neutralist elements here which have been effectively silenced for past two years sure to be encouraged by statements government even willing to consider prospect of accepting aid from and conducting student and cultural exchanges with Soviets. Soviets could follow up with highly attractive offer which would strengthen hand of left-wing elements here even though government might refuse accept and perhaps never intended accept offer. Anti-Commie elements will find government's attitude confusing.

¹ Source: Department of State, Central Files, 611.92/11-560. Secret. Repeated to Vientiane, Phnom Penh, Saigon, and Moscow.

² Telegram 789, November 3, informed the Department of front-page coverage in the Thai English language press concerning reports by Prime Minister Sarit's Assistant Luang Vichit Vadakarn of the call by the new Soviet Ambassador on Sarit on October 31. Luang Vichit said that the Ambassador proposed commercial, technical, scientific, and cultural relations with Thailand to which the Prime Minister replied that Thailand would be glad to agree but asked that the Soviets not propound their political ideology or carry out subversive activity in the country. (*Ibid.*, 661.92/11-360)

Telegram 797, November 4, provided more reporting on press coverage concerning the possibility of closer Thai-Soviet relations, and quoted from press interviews with Sarit in which he emphasized that he and the Soviet Ambassador had talked about increased trade as a way to promote closer ties, although Sarit emphasized Thai dislike for Communist ideology. (*Ibid.*, 661.92/11-460)

Therefore even though government intends no shift in its tough line toward domestic leftist elements it may find it has in fact encouraged them and made them more difficult to control.

In terms of reasons Thailand chose to take this step, Embtel 744 (which being repeated Moscow) emphasized factors arising out of present Lao situation which have created discontent among Thais.³ Long before Laos situation arose, as Embassy often pointed out, many Thais were disturbed by way "neutrals" treated in US programs relative to RTG. Thais have watched Cambodia most closely this respect, and such cases as Pakistan moves toward obtaining Soviet assistance and recent announcement US aid program to Guinea no doubt have had some impact. These cases provide ammunition for group in government (e.g. nationalists like Foreign Minister Thanat and Luang Wichit and probably also left-wingers Generals Net and Amphorn) who appear believe RTG should move toward neutralism at least to extent pressuring US for greater aid by what they would call "black-mail" if done by Cambodia, for example. Lao situation has played into hands this group by creating sense frustration among "men of action" such as Sarit and apparently made it possible for them to convince Sarit of wisdom making these statements.

In order keep incident in perspective, would like point out that new Soviet Ambassador was making routine courtesy call on Prime Minister which latter could not have refused accept.

I propose, for time being, to take no action and to shrug off any leading questions from RTG officials in order avoid playing into their hands.

Johnson

³ Telegram 744 from Bangkok, October 26, conveyed Johnson's view that, in spite of Thai unhappiness and dissatisfaction with U.S. policy in Laos and with French and British unwillingness to consider a stronger SEATO role in Laos, Thailand's policy of close adherence to the United States would not change in the absence of further adverse developments. (*Ibid.*, 692.00/10-2660)

563. Letter From President Eisenhower to Prime Minister Sarit Thanarat¹

Washington, November 8, 1960.

DEAR MR. PRIME MINISTER: The recent visit of Their Majesties the King and Queen to the United States was a major milestone in the long and happy history of relations between our two countries and I believe it was extraordinarily successful. At that time I had the pleasure of a cordial conversation with His Majesty the King on international developments. The communiqué issued following this meeting indicated our mutual concern with the vital problems of preserving freedom and independence, achieving lasting peace, and establishing a world order based on international justice. We reasserted our mutual determination to work towards these goals, believing that this would contribute immensely to the progress, prosperity, and welfare of mankind.

His Majesty and I likewise noted that the staunch adherence of Thailand and the United States to the Southeast Asia Treaty Organization demonstrates a mutual determination to preserve the frontiers of the free world from aggression and to promote the peaceful objectives shared by both countries. I took this opportunity to pay tribute to the steadfast partnership of Thailand and the United States in all fields and reaffirmed to His Majesty the unwavering determination of the United States fully to honor its treaty commitments undertaken in the cause of collective security.

I wish to assure Your Excellency that the preservation of the independence and integrity of Thailand continues to be a matter of the highest concern and importance to the United States and that Thailand will have the unswerving support of the United States, as an ally and friend, in resisting both Communist aggression and subversion. I entirely agree with Your Excellency's recent statement that we must preserve the strong bond of cordial friendship between our two countries and use our concerted efforts to meet the world crisis as we head through rough and dangerous seas toward safety and security. I consider Thailand a bulwark of free world strength in Asia, whose contribution towards mutual objectives is of such significance that we must strive together to reinforce and sustain its strength and well-being.

¹ Source: Department of State, Central Files, 792.11/10-1360. Secret; Priority; Presidential Handling. Transmitted in telegram 660 to Bangkok, November 9, which is the source text. Telegram 660 was drafted by Swezey and Wile; cleared by Peterson and Steeves of FE, other Department of State offices, and Goodpaster in the White House; and approved by Arthur R. Day in the Executive Secretariat. For an earlier draft of the letter and Ambassador Johnson's revisions, see Documents 555 and 556.

Our continuing military and economic assistance programs to Thailand constitute firm evidence of our intentions in this respect. I am particularly pleased in this connection to be able to inform you that although our aid programs are again being decreased in many countries, defense support assistance for Thailand in fiscal year 1961 is higher than that provided in fiscal 1960 and a substantially increased level of military assistance is programmed. I know of Your Excellency's own interest in this subject and trust that this will serve to reaffirm the importance which we attach to the continued strength and stability of Thailand.

To this end, looking to the future, the United States would be prepared to explore with the Royal Thai Government measures for advancing economic development in Thailand, combining assistance available from the United States Government with additional steps by your Government to mobilize the resources of Thailand. In this connection, I am impressed with Thailand's favorable prospects for more rapid development and its potential ability to profit from external capital availabilities as emphasis in United States assistance programs shifts from a grant to a loan basis and as the opportunities for private investment in Thailand become increasingly well known.

It is my earnest hope that this initiative, conceived in the spirit of my conversations with His Majesty the King, will serve to illustrate the abiding importance which the United States continues to place on its friendship and cooperation with Thailand.

Sincerely,

Dwight D. Eisenhower²

² Telegram 660 bears this typed signature. Following the text of the letter is a paragraph informing the Embassy: "The White House desires text this message not become public." Regarding the delivery of the letter and Sarit's response, see Document 566.

564. Telegram From the Department of State to the Embassy in Thailand¹

Washington, November 9, 1960—9:41 p.m.

661. Joint State/ICA message. Embtel 652.² In your approach Sarit,³ should he take occasion request elaboration re FY 61 economic aid levels, you should be guided by Icato 467.⁴ Believe it advisable avoid detailed comparison between aid levels and components FY 60 and 61. Re military assistance, JUSMAG will discuss FY 61 MAP with Thai military in near future.

Should Sarit request elaboration U.S. intentions assisting Thai economic development, you should say that this entirely dependent on results of our joint exploration of problem. In general foresee increased reliance on loans from IBRD, EXIMBank, DLF and possibly from other free world sources and declining annual grant aid levels. Most importantly, however, we believe that in order to accomplish accelerated economic growth RTG has to make better use of its own resources both in terms of mobilizing them to a much greater extent and applying them more effectively. Discussion of future U.S. aid should be related to exploration effective RTG self-help measures.

FYI. We believe timing of US-RTG discussions should depend on degree RTG enthusiasm for holding such talks. Should RTG demonstrate sincere and pressing interest we wish to capitalize on momentum and will be ready for discussion probably early in new year after preliminary studies in Washington. If there is little indication of hoped for attitude we may wish to delay US-RTG consultation until later.

We now studying possibilities new type program directed specifically toward inducing greater effort directed toward economic and social development in critical countries of Asia. Thailand selected as a prime candidate such study. Expert study group being organized under ICA auspices to survey problems and submit recommendations. Expect group will commence study in Washington shortly after December 1 and may proceed Bangkok for on-the-scene study thereafter. While in Bangkok it would not negotiate with RTG but would survey and informally discuss matters with CT and appropriate RTG officials. Group's recommendations not likely be available much before April.

¹ Source: Department of State, Central Files, 792.5-MSP/11-960. Secret; Priority; Limited Distribution. Drafted by Wile along with a number of officers from ICA and other interested offices which also cleared the telegram; approved by Parsons.

² Document 556.

³ To deliver the President's letter, *supra*.

⁴ See Document 558.

While we consider proposed study useful we may not wish delay initiation discussions with RTG until completion study if RTG strongly responsive your approach Sarit, especially since new type program, even if authorized, would be only complementary to other external loan assistance. If RTG response negative or hesitant we may wish to wait till completion ICA study.

Your views on above recommendations on timing US–RTG talks requested. Also wish to obtain considered views and recommendations of CT at early date on best means of increased Thai mobilization their resources and most effective U.S. approach to induce such. End FYI.

Herter

565. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, November 12, 1960—7 p.m.

848. Embtel 768, Deptel 624 and Embtel 795.² Yesterday morning Thanat asked to see me and then said that in spite his previous statement to me that message contained Deptel 624 was satisfactory, PriMin was still concerned and wanted something more. Thanat said that he argued unsuccessfully with the PriMin about this matter as he, Thanat, felt statement given him in accordance Deptel 624 entirely satisfactory (although never specifically stated by Thanat have feeling Wichit had put PriMin up to this and Thanat was considerably provoked).

Thanat showed me type of statement PriMin had in mind, which read as follows:

“The Government of the USA and the Govt of Thailand, sharing the view that the present situation in Laos may develop in a way that it may become a threat to the security of the free world, particularly if actions of the two governments are not coordinated with a view to ensuring that the situation in Laos remain in reasonable conditions, agree to the following:

1. The Govt of the USA and the Govt of Thailand will consult and co-ordinate their actions so as to save Laos from the influence of and control by the Communists. Neither party will take action without

¹ Source: Department of State, Central Files, 751J.00/11–1260. Top Secret; Priority.

² Telegram 624 is printed as Document 560; regarding telegram 768, see footnote 2 thereto. Telegram 795 is printed as Document 561.

prior consultation and agreement of the other party. The Govt of Thailand will make efforts to provide adequate personnel and the Govt of the USA will ensure the success of any contemplated action by furnishing material and financial support. Such support will not have the effect of curtailing and reducing assistance already extended to Thailand prior to this agreement.

2. If circumstances similar to those which took place in Laos should occur in Thailand, the Govt of the USA pledges its support in every possible way to actions which may be taken by the Govt of Thailand under the premiership of F.M. Srisdi Dhanarajata so that these occurrences may be circumscribed and brought to an end as soon as possible.

3. In case aggression is launched against Thailand as the result of actions specified in clauses 1 and 2, the Govt of the USA will consider such aggression or attack to be aggression or attack against the US itself and will take without delay appropriate measures both in military and political fields to ward off such attack or aggression."

During course of my approach to PriMin this morning he again brought up matter.

During course long discussion it gradually emerged that PriMin's point was that operation which was background to statement contained Deptel 624 was outside SEATO framework and therefore SEATO should not be mentioned in statement. Apparently what he also had in mind was that operation might well be only first step in US-Thai involvement in Laos and having taken that step he wanted to be sure we would go all the way. I deprecated this interpretation pointing out that its very value lay in fact could be disavowed by both of us and did not necessarily commit either of us to future course of action. Regarded it in same light as US-PEO advisers with FAL. After long discussion he finally agreed that points of 2 and 3 above were met by statement contained Deptel 624 and in my approach today. With respect to point 1, I said this appeared to be only affirmation existing situation. He agreed but was still insistent on statement of some kind. Matter was left that Thanat and I will attempt work out some wording point 1 that would be acceptable incorporating by reference message Deptel 624 and my approach today. My present thinking is to do this in form aide-mémoire. Point 1 will of course require considerable rewording which I will undertake but believe there value in committing Thais to consultation and coordination with US. This of course requires reciprocal wording on our part but do not feel problem insurmountable. Of course will not agree to anything without approval Dept and will submit my thoughts on draft soonest. However if in meanwhile Dept has any observations would welcome them.

Johnson

566. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, November 12, 1960—8 p.m.

849. Deptel 660.² Letter delivered to Prime Minister this morning at 10:30 a.m.

Prime Minister expressed deep appreciation.

While of course agreeing with President's request text this letter not be made public at this time and understanding reasons therefor, Prime Minister expressed strong hope White House would be able shortly to agree to Prime Minister making text public here. He said would be of enormous value in Thai-US relations, particularly at this time. I promised to pass on his request.

Comment: Letter was most timely and text was excellently designed meet our two most pressing problems of effects on Thailand of Laos developments, and Thai reactions to our economic assistance programs to "neutralists". While appreciating problem of comparison FY 61 aid levels with other countries desire express my own hope way can be found to agree to Sarit's request to make letter public. Would have most healthy effect here at this particular time.³

Johnson

¹ Source: Department of State, Central Files, 792.11/11-1260. Secret; Presidential Handling.

² See Document 563.

³ Prime Minister Sarit responded to the President's letter in a note of December 1960 which was conveyed to the Department of State by the Thai Ambassador on December 28 and then sent on to the White House. Sarit's message was friendly, expressed gratitude for U.S. aid, and promised cooperation in joint efforts to ensure Thailand's peaceful and orderly development. (Eisenhower Library, Whitman File, International File)

567. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, November 12, 1960—8 p.m.

851. Deptel 661.² Had three hour conversation this morning in course my approach to Sarit, covering whole range of problems, some of which will be taken up separate messages. With specific ref my approach he was very receptive to concept which I outlined, and matter was left that he will discuss further with members of govt after which either he or Thanat would discuss with me specific means of joint exploration. Throughout conversation I emphasized importance Thailand better organizing itself to make exploration with us more fruitful. Sarit agreed.

Will reply more fully Deptel 661 after have had opportunity discuss and confer with Country Team, and obtain further Thai reactions.

Again express my appreciation for this most timely and helpful action at this critical period. Believe it has gone far to reverse downward trend in our relations.

Johnson

¹ Source: Department of State, Central Files, 792.5-MSP/11-1260. Secret; Limit Distribution.

² Document 564.

568. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, November 13, 1960—4 p.m.

856. Embassy telegram 848.² Following is suggested aide-mémoire which I will use as basis my discussions with FonMin:

“Referring to the conversation between His Excellency the Prime Minister of the Kingdom of Thailand and the American Ambassador on (date), His Excellency will recall that the following statements were made:

¹ Source: Department of State, Central Files, 611.92/11-1360. Top Secret; Priority.

² Document 565.

His Excellency the Prime Minister and the American Ambassador agreed that the Government of the Kingdom of Thailand and the Government of the United States of America share a mutual determination to preserve their freedom and independence and to work together toward the establishment of a world order based on international justice. The American Ambassador stated that as expressed in his approach to the Prime Minister dated November 8,³ the preservation of the independence and integrity of Thailand continues to be matter of the highest concern and importance to the United States and that Thailand will have the unswerving support of the United States in resisting both Communist aggression and subversion. The American Ambassador also stated that as expressed in his letter to His Excellency the Minister of Foreign Affairs of the Kingdom of Thailand, dated November 2, 1960,⁴ if the situation in Laos should result in identifiable external Communist aggression against Laos or Thailand, the United States would take the gravest view of the situation and assures the Government of Thailand that the United States would, in accordance with its obligations under SEATO, take appropriate measures as may be required to meet the situation.

His Excellency the Prime Minister and the American Ambassador agreed that the Government of the United States and the Government of the Kingdom of Thailand have a mutual concern about the present situation in the Kingdom of Laos, and are equally determined to be unsparing in their efforts to ensure that the Kingdom of Laos does not fall under Communist domination. In order that their efforts to this end should have maximum effect, it is agreed that they will co-ordinate their efforts to the fullest possible extent. Accordingly, it is understood that especially before either government takes any action of a military nature with respect to the present situation in Laos there shall be full and prior consultation. In any action that may be agreed upon involving Thai personnel, the United States will furnish material and financial support in accordance with arrangements to be made in each case. Such arrangements will be worked out so that they will not have the effect of reducing or curtailing the level of other United States economic and military assistance to Thailand."

Would appreciate Dept's comments.

Johnson

³ Document 563.

⁴ See Documents 560 and 561.

569. Telegram From the Department of State to the Embassy in Thailand¹

Washington, November 18, 1960—9:28 a.m.

706. Embtel 849.² Department deeply gratified by Prime Minister's affirmative response to President's message and hopes immediate beneficial effect on our relations with Thailand can be translated into longer range political gains. We fully realize to what extent release of letter would contribute to this goal but after careful consideration of advantages and disadvantages of publication we have concluded latter outweigh former and therefore no recommendation for publication will be transmitted to White House. Principal factors motivating this decision are (1) desire to avoid invidious public comparison of FY 61 aid levels as between Thailand and other countries, notably SEATO partner Philippines; and (2) concern over possible disastrously adverse Cambodian reaction following our rather meager response to RKG arms proposals, in midst current Thai-Cambodian talks at UN, and on eve Sihanouk's bloc visits.

We consider it on balance unwise to incur these risks and prefer to concentrate future efforts on maximizing political advantages inherent in proposals contained in letter re promotion of economic development in Thailand and RTG response thereto. Recommend you therefore tactfully inform Prime Minister it will not be possible to comply with his request for release of letter, as President prefers to preserve privileged character of communications containing references to third countries which might be susceptible to misinterpretation if published. Observe Presidential Handling.

Herter

¹ Source: Department of State, Central Files, 792.11/11-1860. Secret; Priority; Presidential Handling. Drafted by Swezey, cleared in FE, and approved by Parsons.

² Document 566.

570. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, November 18, 1960—6 p.m.

875. Embtels 848 and 856.² Yesterday Foreign Minister asked again discuss subject with me. Gave me new Thai draft of "agreement" to effect that neither Thai nor US Government would take "measures or actions" in regard to Laos "without concurrence of other party." In reply my queries Foreign Minister said that as far as Thailand concerned would include such actions as trade policies with respect Laos, returning fire of Lao forces, etc. On part US would expect include such items as procedures payment Phoumi forces, etc. I said that while appreciating willingness Thailand limit its freedom of action to such extent, did not feel USG could do so. Of course USG fully recognized Thai interest in Laos and in fact our actions there might well have serious repercussions on Thailand. Therefore we could and would as we had in past consult with Thailand but had to retain freedom of action in our day-to-day operations in Laos and relations with Lao authorities. However recognized such actions as US placing US forces in Laos or Thailand placing Thai forces there entirely different order of importance as by such action either could involve other in hostilities. Therefore utmost importance there be full consultation and maximum degree agreement on such actions.

Although Department's reaction to draft aide-mémoire Embtel 856 not yet received I showed draft to Thanat and discussed with him stressing it purely my own draft and not cleared by Washington. After long discussion he agreed accept as basis for further discussion by him with Prime Minister with amendment of second sentence last para to read: "In order that their efforts to this end should have maximum effect, it is agreed that they will consult together and coordinate their efforts and actions to the fullest possible extent."

Would appreciate soonest Department's comments on draft as amended above for guidance discussion with Foreign Minister after he has seen Prime Minister.

Johnson

¹ Source: Department of State, Central Files, 611.92/11-1860. Top Secret.

² Documents 565 and 568.

571. Telegram From the Department of State to the Embassy in Thailand¹

Washington, November 20, 1960—11:43 a.m.

720. Embtels 848; 856.² You authorized use as basis your discussions with FonMin aide-mémoire second reftel provided last paragraph thereof changed as follows:

"His Excellency the Prime Minister and the American Ambassador agreed that the Government of the United States and the Government of the Kingdom of Thailand have a mutual concern about the present situation in the Kingdom of Laos, and are equally determined to be unsparing in their efforts to ensure that the Kingdom of Laos does not fall under Communist domination. In order that their efforts to this end should have maximum effect, it is agreed that they will coordinate their efforts to the fullest possible extent, especially if it is mutually considered that action to meet the common danger with respect to the present situation in Laos is necessary. In the event of any such action, the United States will consult with the Royal Thai Government regarding any additional support which might be required therefor."

We note from first reftel Prime Minister's desire that statement be outside SEATO framework and that SEATO not be mentioned. Department reaffirms belief stated Deptel 624³ that it would be inappropriate allow RTG to consider it is our present intention to undertake any bilateral commitment to Thailand beyond our SEATO obligations. We feel last paragraph proposed aide-mémoire second reftel does constitute additional US commitment and have therefore reworded it to accord with existing commitment.

Herter

¹ Source: Department of State, Central Files, 611.92/11-1360. Top Secret; Priority. Drafted by Swezey and others in SEA, cleared with appropriate offices in the Department and with Parsons and Merchant, and approved by Donald Easum of the Executive Secretariat.

² Documents 565 and 568.

³ Document 560.

572. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, November 27, 1960—10 a.m.

905. Embassy telegram 856 and Department telegram 720.² In discussion Foreign Minister today he accepted as satisfactory text proposed aide-mémoire contained Embassy telegram 856 as modified by Department telegram 720. Minor editorial change to which I agreed was beginning new paragraph at what is now third sentence second paragraph prefaced by "Moreover", so that sentence will read: "Moreover, the American Ambassador also stated that as expressed in his letter to His Excellency the Minister of Foreign Affairs etc."

Unless otherwise instructed will deliver aide-mémoire early next week.³

Johnson

¹ Source: Department of State, Central Files, 611.92/11–2760. Top Secret.

² Document 568 and *supra*.

³ The Department concurred in the changes in telegram 751 to Bangkok, November 28. (Department of State, Central Files, 611.92/11–2760)

The aide-mémoire, dated December 1, was delivered to the Foreign Minister on the following day. Johnson sent a copy to the Department in despatch 325 from Bangkok, December 2. (*Ibid.*, 792.5/12–260)

573. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, November 29, 1960—5 p.m.

926. Ref: Deptel 661.² This is Country Team message. I am at loss make specific suggestions last para reftel regarding US–TG talks until I know better what we are talking about. US already committed to discussions. In terms obtaining most favorable impact US–Thai relations urge these take place soonest. However, inherent this recommendation is necessity have answers to such questions as: what is new type program; how much US assistance involved; what is precise

¹ Source: Department of State, Central Files, 792.5–MSP/11–2960. Secret; Limit Distribution.

² Document 564.

purpose new survey team; what is proposed composition this team; etc. We assume Country Team will participate fully in development firm US position.

While I urge speed opening formal discussions TG on "new type" program, and concur concept study group in developing US-TG positions, I also strongly urge need for clarity US thinking before serious discussions begin. US position among other points must, for example, be coordinated: with TG's own three and six year plans now well advanced; with FY 61 and 62 DS and TC programs, especially taking into account outstanding commitments; with need engineering feasibility studies in FY's 61 and 62 from grant program; with IBRD plans. As Dept already aware I believe Thailand's political and economic position, its continued and firm adherence free world position, its emphasis on private enterprise concept as approach to economic growth, all make Thailand excellent demonstration country in SEA for US assistance. However, imperative this demonstration be good, which is why I urge clear thinking our part before exposing thinking to Thais.

Speed on our part if coupled with clarity in our thinking would also assist obtaining speed and clarity on Thai part in taking additional steps to mobilize resources. As indicated Embtel 652³ believe Thais already doing good job this respect and much of what we recommend as Thai quid pro quo is continuation and intensification present policies, e.g., to assure stability baht, avoid excessive inflationary deficits, promote private investment under recently enacted law, draw up economic plan for public sector, emphasize agriculture and education in allocation public resources, foster tourism, etc. Main new actions we recommend are to revise revenue code and tax administration to maximize govt revenue under equitable system not destructive of incentives, and to improve utilization civil service manpower. Suggest examination country program book FY 62 which spells out suggested Thai quid pro quos.

Johnson

³ Document 556.

574. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, December 18, 1960—2 p.m.

1048. Reference: Icato 594.² (Regret in spite high priority this subject reply reftel has been delayed because burden of work from Laos crisis.)

1. Based total DS availability for FY 61 of \$19.5 million and my judgment priorities after careful consideration and detailed discussions and study with Country Team, I recommended:

a. Economic program be given \$15,775,000. This would use \$875,000 of the \$2.5 million from contingency funds for economic program. It would still leave economic program lower than level sought country program book or Congressional presentation. I feel \$15,775,000 is lower than desirable in view many economic and political considerations in Thailand already discussed other messages.

b. Military construction program be given \$3,725,000. This less than \$4.6 million JUSMAG deems minimum essential, and I believe less than desirable, although it is more than original Congressional presentation. I recommend cut from \$4.6 million in FY 61 military construction funds solely on basis weighing priorities between military and economic programs for the \$875,000 involved.

c. My recommendation, therefore, represents cuts both for economic and military construction programs occasioned by limited DS availability. Availabilities for both programs are, I think, less than desirable. Parenthetically I might note my understanding that had approval been given USOM, as requested Toica A-2472,² for direct purchase baht at Bank of Thailand in place present commercial procurement program, local currency availabilities would be several hundred thousand dollars more in FY 61, thus occasioning smaller cuts military construction and economic programs.

2. My decision in part based TG's own priority for economic development, and undesirability DS program, which understood by Thais to be economic program, to place too much stress on military aspects. Sarit for example probably believes DS funds are all for economic purposes. (This not without reason in light our previous public handling this subject here.) While I do not intend enlighten him, his own subordinates probably will do so, in which case I must be in position stress that economic aid to Thailand continues receive highest priority by USG.

3. Specific projects involved reaching my decision were following:

¹ Source: Department of State, Central Files, 792.5-MSP/12-1860. Secret. Repeated to CINCPAC for POLAD.

² Not printed.

a. Economic programs which will be possible from \$875,000 are feasibility and engineering surveys (585,000) which are becoming increasingly critical if Thailand is to be in position seek loans from US and international lending institutions, and bridge replace program (290,000), one of our more successful programs in Thailand. Since many of bridges involved are in northeast, delay this program also has major military implications. Economic programs which will be delayed by cuts from earlier requests are Bangkok-Bangkapi street improvement project, which while highly important has less immediate priority than other projects mentioned above, plus additional surveys in fields irrigation and highways, which have high priority but which must nevertheless be delayed.

b. According Chief JUSMAG military construction needs FY 61 are approx \$5 million. This composed \$4.4 million (for which \$4.6 million price earlier had been estimated) plus \$600,000 for work left undone FY's 55-60 as result increasing costs. FY 61 availability will be only \$3,725,000. Deferrals which I am informed will be necessary are: all RTA construction Bangkok, including barge site and facilities for 2nd Signal Battalion; RTA construction for dependent housing NCO's and junior officers at Uttaradit, Saraburi, Petchburi, and Chumporn; POL pier Sattahip which will affect RTN fleet operation; and POL storage building and access road at Don Muang which will affect RTAF. While these projects essential and their deferral may cause serious operational and morale problems, I believe their deferral has less serious implications for US position Thailand than deferral economic surveys and bridge replacement.

4. With respect questions under B reftel, projects, both economic and military construction, deferred, not dropped. Implications for future year DS programs obviously dependent on fund availabilities those years. I would hope FY 62 DS program sufficiently large cover these deferred as well as other needs.

5. In view necessity complete FY 61 DS program would appreciate urgent concurrence recommendations this message.³

Johnson

³ No action was taken by the Department of State during the remainder of 1960.

575. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, December 24, 1960—5 p.m.

1114. Department circular telegram 879.²

Political

Trend in Thailand during past five years has definitely been favorable to US interests. Basic pol stability has been maintained and 1957 coup d'état brought to power group which has maintained more forthright free world posture than previous group. Economic stability has been maintained as result favorable basic conditions and prudent management fiscal affairs.

Five years ago leadership was divided between Phibun, Phao and Sarit with uneasy balance. This rivalry created insatiable demand for private funds reward respective followers with consequent increase in corruption and even flirtation with Commie China in pursuit trading profits. In 1956 Phibun regime launched turbulent and ill-starred course of "fuller democracy". Newly-granted press freedom rapidly degenerated into license with editorial policy in some cases purchased by Commies. Left wing was generally taking increased advantage opportunities for propaganda and agitation. Regime was cool toward Monarchy and there appeared be possibility change to republic. Phao was increasingly controversial figure making political use hoodlums, resort to violence and even murder. Phao's election-rigging activities Feb 1957 outraged Thai sense of proprieties and for first time in recent history caused genuinely popular demonstrations. Sarit skillfully handled popular resentment to force Phao into exile in Sept 1957, bringing about downfall Phibun regime and beginning Sarit-dominated era that still continues.

Thailand enters 1961 with far fewer disturbing elements present. Irresponsible press has been tamed and extreme left fringe, which was never rep any considerable group, has been jailed or silenced. Although Constitution has been abolished and country under modified form "martial law", other elements population have felt gov't's repressive hand but lightly. There is nothing approaching "police state" atmosphere familiar to Western dictatorships. Sarit has gathered around him probably most able Cabinet in Thai history and, while Sarit makes final decisions, questions are exhaustively discussed

¹ Source: Department of State, Central Files, 611.92/12-2460. Confidential.

² Circular telegram 879, December 19, requested the principal officers in East Asian and Pacific posts to prepare by December 24 a concise year-end review which would place the current situation in the perspective of events and trends of the past few years. (*Ibid.*, 120.201/12-1960)

within Cabinet and with others and are generally rep broad consensus of views. There has been renewed emphasis on econ development and public welfare activities and, except for small leftist fringe and few intellectuals, country seems basically satisfied with Sarit regime. Conservatives are particularly satisfied with Sarit's deliberate enhancement prestige Monarchy.

While jockeying for position within pol-mil hierarchy continues and coup promoting goes on among some junior officers, Sarit's basic domestic and foreign policies are not seriously challenged. Thus it does not now appear that even if successful any new coup group would bring about basic changes Thai policies.

However, present situation cannot be expected last indefinitely. Although such process does not yet seem to have started, Thailand not immune to classic pattern of benevolent one-man rule becoming enmeshed in vicious circle of opposition and repression. Sarit and many others around him well aware this possibility but it remains to be seen have wisdom handle. However, Sarit's basically poor health may take care this situation for better or worse. Principal problem is [garble—lack of?] orderly process for transfer pol power. At present appears that in event Sarit's death or incapacity there would be orderly transition power to General Thanom with support General Praphat.³ Although Thanom widely respected and popular, doubt he has leadership ability and toughness maintain himself. Although Praphat seems in strongest position, many factions would oppose him, and impossible predict outcome. However, unless struggle for power became so protracted and bitter as permit small leftist minority exploit, believe any leadership likely emerge would continue be basically favorable to US interests. It my own view European-style parliamentary govt ill-suited to Thailand (as it is to most underdeveloped countries) and has understandably been discredited here. Believe broad trend is toward evolution some form strong executive type govt with representative features and that this will eventually emerge.

Basically, Thai and US interests have found common ground in fear of ChiCom expansion and conviction this cannot be contained by policies of appeasement. Thailand's essentially conservative population also recognizes that it "has something to lose" from application Communist system. Its present leaders and a broad band of opinion have had only scorn for the "neutralist" attitudes of such countries as India and Cambodia. From these attitudes arise the two major problems which are points of friction in Thai-US relations and which tend to draw Thai leaders in direction neutralism. The first problem is levels of US assistance to neutrals vs. allies such as Thailand. They feel that the US pays a disproportionate amount attention and devotes a dis-

³ Praphat Charusathien.

proportionate amount resources to wooing "neuralists" as compared with assisting friends such as Thailand. The second basic problem which has recently emerged is the feeling that the US may pay such a disproportionate respect to the views of neutralists as well as UK and France (which in Thai view are basically not interested in Southeast Asia) as to inhibit the US taking vigorous measures prevent Communist expansion in Southeast Asia. There is also problem of Thai resentment of US PL-480 and "payment in kind" subsidized rice exports to traditional Thai markets Asia and Europe. Although Thailand has been able dispose its rice export surplus, it feels US actions have had depressive effect on market and fears for future. Although problem probably more psychological than economic, it nevertheless real problem in Thai minds.

Because foregoing problems, there exists possibility Thailand may make some moves towards acceptance Sov econ assistance or other accommodation with Sovs in conviction such moves would increase US interest in Thailand and shake what Thais feel is complacent US assumption Thailand irrevocably tied to US policies. While such foregoing move would be largely tactical and possibly in nature of bluff, genuine move towards neutralism would take place if Thailand came to conclusion that US regard for opinion "neutralists" and US concern for European alliance with UK and France would be such as prevent US taking any necessary mil action defend SEA. Thai attitude this regard will be heavily dependent outcome present crisis in Laos. If in Thai view Laos "lost" to Commies, even though conditions two countries very different, Thailand would fear same result here and seek to move from policy of dependence on US military force as represented by SEATO to a policy of accommodation.

While nationalism has been relatively minor factor in post-World War II Thai history, it is growing. While its people and leaders are basically very friendly toward the US and without complexes and self-assertiveness of former colonial countries, Thailand is increasingly self-conscious of accusations it too closely tied to US and isolated from its neighbors. During coming years it may be expected become more self-assertive.

Economic

In econ picture over past five years, fol seem be most important developments (1) continued stability currency and wise management fiscal affairs; (2) growing diversification exports; five years ago rice, rubber, tin, teak dominated; today corn and tapioca have moved to positions importance; (3) govt emphasis on econ development and encouragement foreign investment, incl private; (4) with notable exception planned oil refinery, there is good evidence govt desires avoid

increasing its industrial holdings in competition with private business; (5) improved power availabilities and communications, particularly roads and bridges.

US econ assistance has been notably successful in helping Thailand begin to build the infrastructure which is required before real econ development can begin. Moreover aid and its accomplishments known to people and benefits widespread. It is my feeling that US econ program here is close to model of what can be accomplished by such a program under favorable conditions. Continued econ assistance plus a number of econ reforms already made (e.g., central planning board, legislation encouraging private investment) and other reforms which must be made in future (e.g., tax structure) can put Thailand at econ "take off" point.

RTG determination foster econ growth and to obtain additional large amounts of foreign assistance to that end reinforced by results recent census and basic econ trends analyzed in IBRD studies. (a) Population growth of nearly 3 percent annually threatens absorb Thailand's exportable rice surplus, (b) combined with prospective peaking and decline rubber output, increased domestic rice consumption could cripple Thailand's import capacity, especially ability import capital goods, and (c) econ diversification and increased productivity becoming imperative with limited area remaining for rice expansion. In summary, failure to quickly accelerate rate of econ growth and to diversify the country's econ structure could result in a serious deterioration in the country's econ situation within decade or less.

In view Thailand's geographic and pol orientation, it would be grave error if the US failed to meet need for such assistance, especially in view of our conviction that such an expanded effort with measurable amount resources can within a relatively short period succeed in helping Thailand reach a stage of rapid self-generating development where further extraordinary assistance would not be necessary.

This conviction is based on an analysis (spelled out in detail in the FY 62 country program book) of country's recent investment effort, its existing infrastructure which is sufficient (although far from complete) to permit and encourage rapid econ development, its resources and the many dynamic elements of change which have appeared during the last decade. At this stage Thailand's growth, if RTG is prepared press forward reforms already begun and to institute number additional reforms believed essential for maximum contribution of govt toward inducing econ growth, a very significantly greater inflow of econ and tech assistance of all types in order magnitude \$120 million per annum during the next five years and rising over the period to approx \$150 million in FY 1966 would make major contribution toward assuring the success of the govt's highest priority; namely, creation of an econ climate that will not only permit it to maintain pol and social stability,

but also significantly improve standard of well being of Thai people. Of above amount it is recommended that US provide an average of approx \$63 million per year, of which approx \$35 million primarily loans and \$28 million would be in the form of grant assistance, latter being only slightly above levels of recent years. Assistance of above magnitude largely devoted to improvement and expansion of Thailand's infrastructure would act as major stimulant to development of private enterprise economy. It would be essential that such a program be accompanied by more effective efforts to stimulate foreign private investment.

If this can be accomplished, Thailand could well become a model of what can be accomplished in such a country with what the US believes is proper relationship between public and private endeavor. This could have a considerable effect on other South and Southeast Asian countries inclined to more doctrinaire "statist" or socialist approaches to development.

Military

In mil as in econ field Thailand is not a country mostly dependent upon US "crutch" of US assistance, but rather itself contributes major portion its support and development so that US assistance able be of maximum usefulness in contributing key mission elements which could otherwise not be supplied by Thailand itself. In mil field Thailand largely supports its own forces and US assistance is primarily confined to supply of "hardware" and training, with some mil construction, a portion of which is largely of US interest although charged to Thai program.

Relations between Thai and US armed forces are increasingly close and harmonious. Training of Thai mil personnel in US armed forces schools is contributing much to this end and should be maintained at high level. This also not without long-term pol effects, particularly considering large role armed forces likely continue play in Thai pol scene.

Particularly since Sarit assumption power there has been marked improvement in Thai mil capabilities. Maintenance and other logistics activities are generally well-conducted and tactical training and ability of units is now good within limits equipment their possession. Present JCS force objectives are realistic and I believe tailored to Thai capabilities. It is important these force objectives be realized and to extent possible deliveries accelerated. Would particularly hope acceleration could be accomplished in those fields where matériel already in surplus in US, but transfer delayed by requirement for funding from services to MAP, essentially a bookkeeping transaction.

In summary Thai armed forces now represent substantial and increasing mil asset and given basic pol stability of country one that should for long be available in case need, if US continues minimum support which not less than present levels. Nevertheless I feel that although there are wide differences in mil opinion on subject it would be useful more thoroughly and impartially in some way to examine whether type of ground force being developed in Thailand and other SEA countries is best possible to meet and defeat type of warfare Commies have thus far so successfully conducted in SEA, including now in Laos.

Summary

Thailand represents an especially healthy and vigorous plant in the free world garden, but like all such plants its future growth will depend upon it receiving a sufficient amount care, nourishment and attention. US policy must assure it receives such treatment. The cost is not high and the rewards can continue to be substantial.

Johnson

576. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, December 26, 1960—5 p.m.

1121. With reference to Department circular telegram 879² I submit following views on ECAFE:

From very unpromising and hesitant start ECAFE has made much progress in becoming useful political and economic factor in Asian affairs in spite Soviet presence. It is one organization where Asians meet not only on lofty political level but at practical working levels and is thus not only "getting them acquainted" but has been able to sponsor such major project as Mekong River survey between such diverse countries as Laos, South Vietnam, Cambodia and Thailand. This could have been done only in such organization as ECAFE.

It has also been forum for development of realistic regional high-way system which is basic need of area and fundamental to establishment greater regional political and economic consciousness. (Inciden-

¹ Source: Department of State, Central Files, 611.92/12-2660. Secret.

² See footnote 2, *supra*.

tally, I believe substantial U.S. assistance to early realization such a highway project would make major contribution our objectives this area.)

Soviet participation has transitioned from destructive efforts and propaganda in ECAFE to stance of sympathetic cooperation with Asian needs. I believe it important U.S. increase level of its exhibited interest and participation in ECAFE. Particularly important is most qualified and highest possible level U.S. participation in specialist meetings. These provide opportunity for U.S. influence and speak to broadest possible Asian audience at practical working level.

Johnson

577. Telegram From the Embassy in Thailand to the Department of State¹

Bangkok, December 26, 1960—5 p.m.

1122. With reference to Department circular telegram 879² I submit following views on SEATO:

Some progress has been made during past few years in fulfilling desire Asian members obtain implementation Article III of treaty.³ Useful cultural exchange program and educational and economic projects such as graduate school engineering, skilled labor projects, cholera research lab and medical research lab have been established and a community development project is now being considered. However, basic demand of Asian members for substantial additive economic assistance through SEATO remains problem. It my opinion such program not practicable, but we should continue along same lines as past few years that is, being responsive to sound projects, having at least some multilateral aspects, in fields exchange, education and public welfare.

Considerable progress has been made in military field through operation military planning office and joint exercises. These have been useful as mechanism for establishing relations between forces and accustoming them to working together.

¹ Source: Department of State, Central Files, 611.92/12–2660. Secret. Repeated to CINCPAC for POLAD.

² See footnote 2, Document 575.

³ In this article, the signatories agree to strengthen their free institutions and cooperate for economic progress.

Have been particularly valuable in stimulating training and planning activities of Thai forces and their cooperation with U.S. forces. In event Communist success in Laos and/or South Viet-Nam we should urgently consider establishing at least token SEATO "trip-wire" standing SEATO force in Thailand.

SEATO Council representatives have been useful mechanism for carrying out and arriving at agreement on more or less routine activities of organization, but in situations such as that at present in Laos have not proved to be effective in political field. This because lack competence, background and instructions of Asian Council representatives, presence in Singapore of UK Council representative who only occasionally appears for meetings in Bangkok, and general reluctance of governments use Council representative forum for basic political discussions. France and UK have been particularly reluctant air any differences with U.S. in Council representatives. This understandable, but tends result in basic SEATO political discussions be carried on in first instance between U.S., France and UK in Washington, London or Paris. Asian members very conscious of and sensitive to this. Have no particular suggestions to remedy, but is problem to be kept in mind.

Basic problems of SEATO remain, that is, geographical distribution and varying interests of Asian members which, except for Thailand, are tied to U.S. through other defense arrangements; and fundamentally different interests of France, and to lesser extent UK from those of U.S. in Southeast Asia. From parochial Southeast Asian point of view France is largely liability rather than asset to organization. On other hand, Australia has been definite asset and SEATO provides framework for its participation.

From standpoint other Asian countries, SEATO has through past few years gained some greater degree acceptability. However, there seems no possibility that any additional Asian countries would be willing to join SEATO in foreseeable future.

While SEATO far from ideal envisaged, it still serves as useful political framework for projecting U.S. force into Southeast Asia and thus as substantial deterrent to overt attack by Communist bloc. It is not capable of taking effective part in meeting situations such as presently exist in Laos and South Viet-Nam. Perhaps no international organization could be. However, SEATO is especially inhibited by character of its membership. I am inclined to think that any fundamental changes in SEATO would not be practicable or desirable, and that we should be content with having it serve its limited but important purpose of serving as a deterrent to overt Communist aggression, and dealing with the problem of indirect and covert aggression on an ad hoc basis. Although we need to find some better way to deal with this latter problem, regret I have no constructive suggestions to offer except that we review whether type of ground forces we have estab-

lished and are maintaining in these countries is best suited to purpose, and to find some way of administering our economic assistance programs with more expedition and flexibility.

Johnson

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