

~~MEMORANDUM~~

TAB B

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THE WHITE HOUSE

WASHINGTON

ACTION

December 23, 1972

SECRET (GDS)

MEMORANDUM FOR: THE PRESIDENT
FROM: HENRY A. KISSINGER
SUBJECT: Military Supply for Pakistan

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Do or let's
new way
HR

You will recall that the Pakistanis have raised the question whether it would be possible to move about \$1.7 million worth of military equipment caught by our embargo last winter. In September, you approved holding off on any action. The aid bill was being discussed actively in the Congress then, and the Administration was trying hard to have a general prohibition against military assistance for South Asia stricken from the bill. We did, however, promise to take some step toward the end of the year.

There is no question that this limited amount of equipment should be released to Pakistan. The two issues are (1) how to do this without helping those who want to write a general prohibition into the aid bill and (2) how to fit this step into a strategy toward India over the next several months which sustains an effort to put US-Indian relations on a sounder basis.

Background--Outstanding Military Supply Issues

The value of the equipment involved in the Pakistani request totals about \$1.7 million. This includes: (1) an assortment of spare parts for aircraft, tanks, weapons and electronic equipment worth about \$935,000 being held in a New York warehouse at a monthly storage cost to Pakistan of \$1500; (2) engines for Pakistani military aircraft (F-104, C-130, B-57, helicopter) worth about \$800,000 and owned by Pakistan but here for overhaul.

There is another category of equipment worth about \$1.2 million which is of the same general character as that the Paks are talking about. This includes two cases where release is being pressed by American

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manufacturers who were particularly hurt by the embargo because they had completed an order but could not ship it and thus could not be paid. If we were to try to clear up the most painful of the hardships caused by the embargo, one would want to consider the Americans who have been hurt as well.

A third item is in a class by itself. This consists of 300 armored personnel carriers worth about \$13 million which were part of the package approved as a one-time exception to the pre-war policy of not providing finished combat items. The Paks made a down-payment and the vehicles are now coming off the assembly line.

Alternative Approaches

There is no question that the \$1.7 million in blocked equipment belongs to Pakistan and should be released. The questions are when and with what rationale so as to avoid giving a handle to Congressional champions of a general prohibition on military assistance to South Asia and to relate this step to our rebuilding with India. There are three options:

1. One way would be simply to release the \$1.7 million of blocked items to Pakistan. But this would cause sharp Congressional reaction, make it more difficult to delete the prohibition against military supply for South Asia and be misunderstood in India. It would also raise questions from American companies about why we are making exceptions to the embargo that favor the government of Pakistan but take no account of the financial hardships that U.S. companies have suffered as a result of blocked contracts with Pakistan and India. The Pakistanis understand these questions and have been told that it may be easier to release their equipment if we took a somewhat broader approach to the problem. There are two possible ways of doing this.
2. One way of broadening the approach would be to have a "clean-up exercise" to take care of the main hardship cases which remain from our embargo last year. The hope would be that this approach would have the support of some American suppliers and therefore their representatives in the Congress.

In doing this, we would release equipment in the following categories: (a) cases in which financial hardship to a private American supplier is involved and (b) cases in which financial hardship or inequities to the governments of Pakistan or India are involved. This would involve \$2.9 million for Pakistan and \$22 million for India. About \$19 million of the amount for India is a communications system for a radar system the US began helping India to build after the Chinese attack in 1962. An American company is in bankruptcy as result of the cut-off in these shipments and must begin court action in January. The problem with this approach, however, is that the dollar amounts are heavily weighted toward India.

3. To balance the Pak side, a third approach could be taken by defining "hardship" broadly to include the 300 armored personnel carriers approved by you before the war under the so-called one-time exception. These are worth \$13 million and the Paks have made a \$1.3 million downpayment. Fifty are in storage and the remainder will be rolling off the production line through next spring. The main disadvantage of this approach would be that adding the APCs would cause the Indians and, more important, the Congress to react sharply since they would say this looked like resumption of normal military supply. The aid bill, of course, is still in question before the Congress.

Assuming that we were to go ahead with the second or third approach above, timing is still an important issue:

--First, there are the questions of whether we should do this before final consideration of the aid bill or before an overall decision on where we want to be with long-term military supply towards South Asia. I raise the latter point simply because moving ahead on a "clean-up exercise" would raise questions about whether this was the beginning of a new military supply pipeline or the end of an old one. It might also give the impression that we were attempting to push something through.

--Second is the question of how this relates to the effort to rebuild relations with India. I should think it imperative to find a way of discussing our general political relationship with India before we

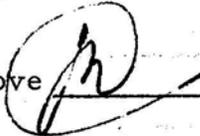
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go ahead. I have a feeling that the "clean-up" rationale has a chance of being defensible--although the APCs could raise the worst in the Indian reactions--provided we put it in an overall context of improving relations with India. At this stage, we would at least want to be in a position to say that this step is to clean up the past and does not indicate any decision one way or another on our future military supply relationship.

RECOMMENDATIONS:

1. That you approve in principle a "clean-up exercise" involving release of equipment caught in the embargo as described above, including the armored personnel carriers for Pakistan.
2. That you approve telling Pakistan in January what is planned.
3. That you approve discussing this privately with Ambassador Jha in the context of a general discussion of US-Indian relations.

Approve  _____

Other _____

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