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Washington, D.C. 20520

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January 26, 1972

MEMORANDUM FOR MR. HENRY A. KISSINGER
THE WHITE HOUSE

Subject: Military Supply Policy for Pakistan
and India - Munitions List Items

The military situation in South Asia is still fluid. The cease-fire is holding and there is no reason to think it should not continue to do so. However, there is as yet no agreement on withdrawals in the West and apparently no progress on POW's. In the East the Indians claim to have withdrawn three-quarters of their forces from Bangladesh but a substantial number remain and can be expected to do so, at least until the law and order situation inside Bangladesh can be met by reconstituted Bengali police and paramilitary forces.

Military losses sustained by the two sides were considerable but we do not have solid statistics. Bhutto alluded briefly to his country's need at some point for resumed military supply from the United States when he was here in December, but has not raised it since becoming President. His new military chief, General Gul Hasan, has spoken in general terms of future needs and Ambassador Raza has given us a list of previously held up items on which he has asked action, but it is unclear whether this is part of a considered review of requirements by the GOP in the context of war losses and a reassessment of future budgetary allocations. Bhutto will be going to China late this month and we assume will seek some indication while there of China's future military supply policy toward Pakistan.

In this situation we believe our own policy of holding up on Munitions List items for both India and Pakistan should continue essentially unchanged for the next several

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weeks. We should defer any decisions until the situation is further clarified, both as to withdrawal and as to our political relationships with each of the countries of South Asia. There is also the factor of their relationships and ours with China and the Soviet Union.

The recommendations attached rest on this basic premise and are short-range in nature. As the political outlook becomes more clear, we will need to review which of the following kinds of longer-range policies would further our interests in South Asia:

- a. Assistance to Pakistan to recover some of its wartime losses in lethal end items, possibly by a revision and expansion of the 1970 One Time Exception for aircraft and APC's now held in abeyance.
- b. A reversion to our prewar policy of permitting the cash sale to both India and Pakistan of ammunition, non-lethal end items, and spares for previously supplied equipment.
- c. A cash and carry policy that would permit the sale to both countries, on a case-by-case basis, of both lethal and non-lethal military equipment and spares.
- d. Indefinite continuation of the present suspension of the sale or delivery of any Munitions List items to either country.
- e. A combination of one or more of the foregoing alternatives.


Theodore L. Eliot, Jr.
Executive Secretary

Attachment:

Addendum: Background and Recommendations

MILITARY SUPPLY POLICY FOR PAKISTAN AND INDIA

MUNITIONS LIST ITEMS

PAKISTAN

1. Decisions Already Taken:

- Issuance of Munitions List licenses and renewal of expired licenses were stopped in early April 1971.
- On November 8, 1971, all remaining outstanding licenses were cancelled. (\$5 million worth of Munitions List items were exported between March 25 and November 8; licenses cancelled on November 8 were valued at about \$3.6 million.)

2. Present Status:

- Pakistan Ambassador Raza on December 22 requested licenses for those items presently in the possession of Pakistani agents in the U.S. and which could not be shipped earlier because of the expiration or cancellation of Munitions List licenses. Their value is approximately \$.5 million. These are almost entirely Foreign Military Sales items and

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include spares for military aircraft, parts for military vehicles and miscellaneous other spares and equipment.

- Ambassador Raza on December 20 and 22 also requested new licenses for an additional \$2 million worth of Munitions List items including one application for infra-red target detection equipment worth \$1.5 million. The remainder includes parachutes, tank periscopes, and various types of communications equipment.
- General Gul Hasan on January 11 expressed the hope to our military representative in Islamabad that the arms embargo would be lifted so that "badly needed APC's, communications gear, vehicles and spares for tanks and equipment" could be procured.
- It is not clear whether Ambassador Raza and General Gul Hasan raised the arms issue on their own or on the basis of a high-level political decision by the GOP. Bhutto, for his part, has given no indication of his thoughts on the resumption of arms supplies since becoming President.

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3. Recommendations:

- That we continue to defer action on Ambassador Raza's request that we issue licenses for those Munitions List items presently in the physical possession of Pakistan agents in the U.S.
(approximately \$.5 million worth, mostly spares for military equipment, including aircraft).
- However, we should keep this particular request under active review should we wish to take a first step at some early date in reopening Munitions List licensing to Pakistan. Should we take this step our public and Congressional posture on this exception could be that we are permitting this adjustment since the items already belong to the Government of Pakistan, the amount is small, and has little bearing on the overall military position on the Subcontinent. There is no legal bar to such a step, although there may be some criticism in the Congress.
- That we also defer action on Ambassador Raza's requests for licenses for \$2.0 million in new Munitions List items but that we assure him this matter remains under continuing review.

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THE ONE-TIME EXCEPTION

1. Decisions Already Taken:

- Contracts were signed in early 1971 for manufacture and delivery of 300 Armored Personnel Carriers (APC's). The Government of Pakistan made a down-payment of \$1.3 million, 10 percent of the total \$13 million cost. We still hold the down payment. Talks were underway with the GOP on possible sale of some twenty aircraft under the One-Time Exception, but no agreements had been reached on types, numbers or costs.
- In early April 1971, all further action on the One-Time Exception was stopped.

2. Present Status:

- Action on the One-Time Exception remains in abeyance. However, the manufacture of the APC's has continued, with the first 100 scheduled to come off the production line in May or June 1972. (If

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these are not delivered to Pakistan, we would need to make an effort to find an alternate consignee.)

-- The GOP has not raised the question of the One-Time Exception at the political level since the termination of hostilities. However, as noted above General Gul Hasan on January 11 described APC's as the kind of equipment "urgently" needed.

3. Recommendation:

-- That we continue to keep the One-Time Exception under review until agreed withdrawals have taken place, the present ceasefire has taken on a more permanent character, and until our policies toward the Subcontinent have evolved. At that point we should reassess the situation, in light of political circumstances and what we know of Pakistan's military needs.

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INDIA

1. Decisions Already Taken

-- On December 1, we revoked licenses worth \$2 million for ammunition components and ammunition related equipment. On December 3 we revoked all remaining outstanding licenses worth \$11.5 million, bringing to \$13.5 million the total of embargoed licenses.

-- We have made only one exception to this embargo. On December 22, we granted Delco an exception to continue normal repair and maintenance on inertial guidance systems for Air India's 747 aircraft.

2. Present Status

-- The embargo has generated considerable pressure among American suppliers for modifications in the policy on the grounds of commercial hardship. In many cases American manufacturers had begun production of equipment under valid licenses or under contracts with the Government of India and except in the case of certain types of defense contracts they may be unable to obtain reimbursement.

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- Several of the cases are fairly substantial, including a request from Delco to export further inertial guidance systems and spare parts to Air India worth \$6 million and the \$10 million of valid contracts under the U.S.-financed Peace Indigo early warning communications project.
- The Government of India has also raised with us several cases including the Peace Indigo project on which it would like an early clarification of our intentions.
- Details of these and other cases of hardship which have come to our attention are contained in the annex.

3. Recommendations:

- That we take no decision at the present time to modify our Munitions List embargo for India. A reversal of our embargo at this time would be premature given the continuing presence of Indian troops in Bangladesh and the lack of progress on withdrawals in the west.

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-- At a later date, if there is progress on these fronts, or if there is domestic commercial pressure, we may wish to consider some limited exceptions. Of particular urgency is the question of spare parts for Air India's inertial guidance systems and we may wish to give priority to this question when exceptions are being considered.

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ANNEX

INDIA

MUNITIONS CONTROL CASES

1. DELCO has requested reinstatement of its licenses to export \$6 million worth of Carousel inertial guidance systems and spare parts for replacement and repair of the systems on Air India's 747's. These items are on the Munitions List because of the technology involved. In the past this has been an important U.S. export to Air India which already has a number of Carousel systems. Because these systems are necessary for the safe operation of the 747 and because they are an integral part of Boeing's commercial relationship with Air India, we have permitted Delco to perform regular maintenance and servicing of Air India's Carousel systems. In the near future Air India will have an urgent need for spare parts for its Carousel systems, and Delco is likely to put particular emphasis on this element of its pending license applications.

Peace Indigo -- The Dynamics Corporation of America, General Telephone and Electronics, Bendix and Philco/Ford together have contracts totalling about \$10 million for components of the U.S. financed Peace Indigo early warning communications system to tie together the "Star Sapphire" radar system we supplied India after the 1962 Sino-Indian war. They have approached us individually for exceptions,

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and the GOI has also asked for some indication of whether we intend to allow this project, which is financed with a \$17 million FMS credit, to proceed. DOD reports that its General Counsel believes because of the credit, DOD may have to reimburse the American suppliers for losses as a result of the licensing ban.

C-119 Spares -- Just before the war, Fairchild and Curtis-Wright finally completed negotiations for a long-term supply of spares for the India Air Force's C-119 aircraft. Fairchild, whose contract is for about \$2 million, has complained to DOD, which was active in helping to arrange the deal. Curtis-Wright, which has also contracts for \$2 million worth of spares, has also been in touch with DOD. In addition Steward-Davies, a small company in California, has asked for authorization to ship \$50,000 worth of parts which are necessary for the C-119's to operate at high altitudes; i.e., to re-supply Indian forces facing China in Ladakh.

Watkins-Johnson has asked for two exceptions. It has a \$3 million order for microwave receiving systems to be used for airborne strategic reconnaissance and surveillance, the munitions control license for which was revoked last month. It claims work on the order will help reduce unemployment in the San Francisco area. It

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also disputes a decision taken in November 1971, which had nothing to do with the India-Pakistan crisis, to place on the Munitions List some of its other radio receivers, which it now wishes to export to India.

Verson All Steel Press -- The GOI has recently asked us whether we will permit the export of the second half of a shipment of tooling equipment for production of cartridge cases. The first half was shipped prior to our December 1 ban on ammunition. Verson All Steel Press has not contacted us, but we expect that it will, since the GOI is holding up payment on this \$500,000 shipment, which we caught at the docks on December 1.

Bendix has requested reinstatement of a license so that it can complete the sale of equipment to modify the Star Sapphire radar systems, which are now used for both military and civilian purposes, to improve their capability for civilian air traffic control in areas close to the radars. Bendix argues that while these modifications will have some military significance, they will be defensive, will not improve India's capability against low-flying aircraft and are identical to modifications the FAA is making in the U.S. air traffic control system. Bendix wishes to ship the remaining \$600,000

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of the original \$1.5 million order and is also interested in selling the GOI other modifications to improve further the radar's capability for commercial air traffic control.

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