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DECLASSIFIED
E.O. 12958, Sec. 3.4

DECLASSIFIED
PA/HO, Department of State
E.O. 12958, as amended
June 9, 2005

NNQ 969046
By *SDT/VSW* Date *7/21/88*

POC 725/Connally

REPRODUCED AT THE NATIONAL ARCHIVES



XV Department of State

~~SECRET~~

TELEGRAM

ACTION COPY

O 081250Z JUL 72
FM AMEMBASSY TEHRAN
TO SECSTATE WASHDC IMMEDIATE 9003
BT
~~SECRET~~ TEHRAN 4090

8 JULY 10 01 AM

CONTNO 268

PASS WHITE HOUSE FOR MRS DAVIS

PASS TREASURY FOR DIXON

STATE FOR S/S, A/OPR, NEA

DEPT PLEASE PASS AMEMBASSIES DACCA, NEW DELHI, ISLAMABAD

SUBJECT: SECRETARY CONNALLY TRAVEL; MEMORANDUM OF CONVERSATION FROM SECRETARY CONNALLY'S MEETING WITH PRESIDENT BHUTTO AT THE PRESIDENTIAL PALACE IN RAWALPINDI ON JULY 6, 1972; PARV VI OF VII: FOREIGN INVESTMENT

NODIS REVIEW

- Cat. A - Caption removed; transferred to O/AADRC
- Cat. B - Transferred to O/FADRC with additional access controlled by S/S
- Cat. C - Caption and custody retained by S/S

Reviewed by: *HDP/...* RSA

Date: *7/6/79* 1975

7/8/72

Tehran Tel. 4090

1. AT THE END OF THE CONVERSATION, I EXPRESSED MY APPRECIATION FOR THE OPPORTUNITY TO VISIT WITH BHUTTO AND TALK WITH HIM. I SAID WE HAD HAD AN EXCELLENT MEETING WITH HIS FINANCE, MONETARY AND PRODUCTION PEOPLE AND THAT I HAD RAISED THE ISSUE OF INVESTMENTS AND DIVERSIFICATION WITHIN THE COUNTRY. WE HAD MADE ONE SUGGESTION TO THEM THAT I WANTED TO REPEAT TO HIM. WE DID NOT IN ANY SENSE WANT TO SUGGEST WHAT TYPE OF ANY ECONOMY OR ECONOMIC POLICY PAKISTAN SHOULD HAVE, BUT IF IT WANTED DIVERSIFICATION AND WANTED FOREIGN INVESTMENT CAPITAL, I HAD TOLD HIS MINISTERS THERE WERE THREE ESSENTIAL INGREDIENTS: (1) POLITICAL STABILITY, (2) ECONOMIC STABILITY, AND (3) A CLEAR SIGNAL THAT PAKISTAN WANTED FOREIGN INVESTMENTS. I TOLD HIM THERE WAS A SHORTAGE OF CAPITAL IN THE WORLD. CONTRARY TO MY AVOWED INTENTIONS NOT TO GIVE ANY SUGGESTIONS OR ADVICE, BUT IN HIS INTEREST, I WOULD SAY THAT BOTH SINGAPORE AND BRAZIL AND POLITICAL AND ECONOMIC STABILITY AND AN INVESTMENT POLICY WHICH TAKEN TOGETHER ACTED AS INCENTIVES TO ATTRACT CAPITAL. THEY HAD BEEN TREMENDOUSLY SUCCESSFUL. WHATEVER THE RULES FOLLOWING TWELVE YEARS OF MILITARY CONTROL IN PAKISTAN, THE

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TELEGRAM

-2- TEHRAN 4090 NODIS

RULES SHOULD BE SET FORTH EXPLICITLY SO EVERYONE COULD UNDER-
STAND. I SAID THAT THESE RULES BEING UNDERSTOOD, I THOUGHT HE
COULD GET HELP FROM OTHER SOURCES.

2. BHUTTO REPLIED HE HAD TRIED TO MAKE IT CLEAR THAT HE
WANTED INVESTMENT. IT WOULD BE SAFE. THEY HAD NATIONALIZED
SOME DOMESTIC INDUSTRIES AND BUSINESSES BUT HAD NOT TAMPERED
WITH ANY FOREIGN INVESTMENTS EXCEPT IN THE FIELD OF INSURANCE,
WHICH FRANKLY HE DID NOT CLASS AS FOREIGN DIRECT INVESTMENT.
IT WAS A BUSINESS THAT FED OFF DOMESTIC ECONOMY AND WAS
IN A DIFFERENT CATEGORY. HE WOULD TRY TO MAKE IT EVEN MORE
CLEAR IN THE FUTURE THAT THEY WANTED ALL THE FOREIGN
INVESTMENTS THAT THEY COULD GET. THIS ENDED THE CONVERSATION
EXCEPT FOR A REFERENCE TO THE DINNER THAT EVENING IN WHICH
HE WAS GOING TO PROVIDE SOME TYPE OF ENTERTAINMENT. HE
SAID: "IF YOU DON'T LIKE IT, STOP IT AND WE WILL GO ON
TO THE NEXT ACT."

CONNALLY

NOTE: NOT PASSED DACCA NEW DELHI ISLAMABAD BY OC/T

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