

MEMORANDUM

NATIONAL SECURITY COUNCIL ACTION 8288X

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December 1, 1972

MEMORANDUM FOR: DR. KISSINGER

FROM: HAROLD H. SAUNDERS *Hal*

SUBJECT: Response to Ambassador Sultan Khan

Following is a report on each of the issues Ambassador Khan raised with you with a suggested response on each. Each suggested response below is followed by a recommendation for your approval.

If you like, I will be glad to deliver these responses to him on your behalf since you may not have time. You can note your wishes below. This memo also requests your authority to go back to State now and put together an updated package for release of some embargoed military equipment.

1. Food Aid. Ambassador Khan reviewed the Pakistani requests of the last few months and said that "we are now running short by 100,000 tons." He said that State and AID say that money rather than grain availability is the main problem.

a. The facts are as follows:

(1) The Paks asked early in 1971 for 1,000,000 tons of grain. This was before either of us had a clear assessment of our respective availabilities but in order to be forthcoming we agreed at that time to an initial tranche of 600,000 tons with the understanding that this was not our final response for the year.

(2) Following the heavy Soviet purchases and other circumstances which tightened world wheat supply, the Executive Branch here conducted a careful review of our world-wide PL480 programs to determine how to divide what was available. During this period, Bhutto made a strong pitch for another 400,000 tons -- not because of potential starvation in Pakistan but because of his need to control urban food prices for political reasons.

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Everyone admitted that this was a legitimate request, but the most that we could squeeze out in the end was 250,000 tons. The bureaucracy's recommendation was for 200,000 tons, and our staff moved 50,000 tons from Korea to Pakistan to raise that as far as possible. Moreover, we felt that 850,000 tons would keep the Pak pipeline full until early next spring since the initial 600,000 tons was still to be shipped to Pakistan.

(3) We have promised the Paks to review the situation early next year without making any commitment that we will be able to raise our amount. The grain supply situation remains very uncertain here.

(4) I understand from Ambassador Khan's deputy that he did not raise this subject with you on instructions from Islamabad. His only instruction is to go ahead and buy another 100,000 tons commercially as he can.

b. A suggested reply to Ambassador Khan could be made along the following lines:

(1) Our response to Pakistan's request was based on a combination of three problems which the US faced:

--A coincidence of events put unexpected pressure on US supplies. These included low wheat crops in other producing countries, a transportation blockage in Canada, heavy purchases from the Soviet Union and Eastern Europe, and our own crop which was only normal. This pressure drove prices up.

--The known demand in US markets is so large that it will require drawing our stocks down to that level which the USG feels is the minimum carry-over for next year necessary (a) to hedge against an unusually low US crop and (b) to maintain an orderly market and prices. In short, there is no surplus in USG hands for additional concessional sales; what stocks there are must be held rather than being used for PL480.

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--The President has pledged himself to maintain a specific overall spending ceiling. PL480, unlike many other domestic and international programs, has not been cut back but will have to remain within our original budget plan. This presents a serious problem because the prices of many commodities have gone up since that budget was put together.

(2) To get as close as we could to the Pakistani request, the White House took 50,000 tons from another potential recipient and provided it to Pakistan. This should be taken as a measure of our serious desire to come as close as possible to meeting Pakistan's needs within our limits.

(3) We have promised that we will look at the whole situation early in 1973. It would be misleading to promise that more will be available at that time, but we are not going to let any stone go unturned.

(4) All of this comes against a background of significant financial assistance over the last six months.

Recommendation: That the suggested reply above be given orally to Ambassador Khan as the response to his approach to you.

Approve HK

Other _____

2. Military Supply. Ambassador Khan noted three types of items: equipment on the docks when the embargo was imposed, equipment sent here for repair and overhaul, and the one-time exception. He said that he hoped that the materiel lying on the docks and that sent here for repair could be released. You noted to him that it might be easier for us to release some of this if we released some of the embargoed materiel, like radar equipment, to India.

- a. The facts are: The equipment Ambassador Khan speaks of as on the docks or in the US for overhaul would amount to about

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\$1.7 million worth of equipment. There is no question that this equipment belongs to Pakistan and should be released. The questions are when and with what rationale. One way to approach the problem would be simply to release these items. But this would cause a sharp Congressional reaction and a blow to our efforts to strike from the aid bill the prohibition against any military supply for South Asia. If you want to balance this with the Indian side as you indicated to Ambassador Khan to continue to rebuild that relationship and to lessen Congressional reaction, there are two possible ways to do this:

(1) One way would be to have a "clean-up exercise" to take care of all of the hardship cases which resulted from our embargo last year. In addition to taking care of the Pakistani items, this would provide relief to several American companies which have been very hard hit by the embargo. The problem with this is that, narrowly defined, it would provide more materiel to India than to Pakistan. Specifically, this would involve \$2.9 million worth of equipment for Pakistan and some \$16 million for India, \$12 million of which is the radar system which involves one of the American companies that has been hardest hit.

(2) Another approach, therefore, would be to define "hardship" broadly enough to balance dollar-wise the amounts going to Pakistan and India. To do so, we would have to release the 300 armored personnel carriers valued at about \$13 million which the Paks had ordered and even made a \$1.3 million downpayment on under the so-called one-time exception approved in the fall of 1969. If this were done, we would be providing \$16 million worth of equipment to both India and Pakistan. The disadvantage of this approach would be that adding the APCs would cause the Indians and, more importantly, the Congress to react sharply since they would say this looked like resumption of normal military supply. The aid bill is of course still in question in the Congress.

- b. The issues are ones of timing. 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

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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. The second timing question is how this relates to the effort to rebuild relations with India. I should think it imperative to find a way to include this issue in your dialogue with Ambassador Jha before we go ahead. I have a feeling that the "clean-up" rationale would be defensible with the probable exception that the APCs would raise the worst in the Indian reactions. Our response to that reaction would require us to know where we want to go on military supply in the future. There is a further option also talking about an exercise to "clean up" all past aid commitments to South Asia which would at some point mean lifting the "suspension" on the \$87.6 million of economic assistance committed to India prior to the war at the same time we went ahead with a full military supply clean up operation for both India and Pakistan.

- c. Suggested reply. You have already replied that we will release this equipment when our new people are in place. But this requires preparation if it is to be done in the context of a broader policy. If you are ready to authorize me to work specifically with State and Defense to develop a "clean-up" package on aid (even if it would require talking to some of the manufacturers involved), I would suggest responding to Sultan Khan with the following points:

(1) As you mentioned the other day, release of the Pakistani equipment would be a lot easier for us if we could use the occasion to clean up a number of other hardship cases created by the embargo. We agree that a US move to clean up past commitments is long overdue.

(2) We have, therefore, begun to work on constructing a "clean-up" package to be in position to move on this around the first of next year. We will stay in touch with Pakistan on this in the interim.

But move fast + give Pakistan a break

Recommendations:

- a. That you authorize me to tell State that the President would like a precise package for a clean-up exercise as outlined above.

Approve HK

Other _____

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- b. That the above response be given to Ambassador Khan.

Approve _____ Other _____

3. Appointment of new ambassador to Pakistan. The Ambassador simply asked whether you had any news on a new US ambassador for Pakistan, and you said it would be done within four weeks.

- a. The facts. Obviously this is tied up with the overall question of the President's appointments. However, we have long had a recommendation in that Ambassador Neumann be appointed to Pakistan, which Secretary Rogers opposed. I have recently sent you a long personal letter from Neumann indicating his personal interest in either Pakistan or India (as well as some other posts). Another candidate for Pakistan is Armin Meyer. I realize that you will have to work this out with Fred Malek, but I shall be glad to do anything additional that I can.
- b. Suggested reply. You have already told the Ambassador that we will do something within four weeks, so no further reply is necessary.

Recommendation: That you take this as well as the appointment to India up with Fred Malek at whatever you regard as an appropriate time. OK

4. Presidential Message. The Ambassador complained about the comparative tones of President Bhutto's congratulatory message on the President's re-election and of the President's reply.

- a. The fact is that the President himself dictated general language in response to congratulatory messages from other chiefs of state. He instructed that the second paragraph of his dictated message could be "slightly varied if the people on the substantive side think so - but I want it to be in this tone." Since you had approved the addition of one sentence in the reply to Mrs. Gandhi indicating our desire for rebuilding our relationship with India, I inserted a sentence in the reply to President Bhutto indicating that our continued cooperation in the search for peace "can only enhance the friendly relations between the United States and Pakistan."

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You will also recall that on the day after our election and before receipt of President Bhutto's message, the Pakistani government had announced its intention to withdraw from SEATO and to recognize the governments of North Vietnam, North Korea and Sihanouk.

- b. The issue, therefore, is whether you still feel the President should drop Bhutto a personal note simply saying that the more formal message had been written with the thought that it might be published and that the President wanted to add a few words of personal thanks for the warm personal words in President Bhutto's message. A draft memo for the President and letter for his signature is at Tab A in case you want to go this route.
- c. Suggested Reply. If you felt a Presidential note were desirable, this could be given to the Ambassador as the reply to his point. There may be no choice since you told him there would be a letter within a week. The alternative would be to say orally: The President's message was intended to be warm since we had noted and very much appreciated President Bhutto's kind personal comments; the President's answers to all congratulatory messages had been written with the thought that they might be published at some point; they had therefore been written with some restraint. We had felt that to do more could have embarrassed the recipient. But you can reassure the Ambassador orally that the President intended only the warmest feelings (which, I assume, is true).

Recommendation: That Ambassador Khan be given the above oral response reassuring the Ambassador of the President's warmest feelings, unless you feel you are absolutely committed to a letter. In that case, a possible draft letter is at Tab A for your approval.

Oral response _____

Approve the letter at Tab A HK

6. PIA landing rights: The Ambassador asked for your assistance with a request which the Pakistan International Airline had pending at a

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conference here for landing rights at the end of a proposed Pacific route. You promised sympathetic consideration and to put a word in with Peter Flanigan. [Peter Rodman followed up with Flanigan, and his memo is at Tab B.]

- a. The facts are that what the Paks were seeking was an international route stretching from Pakistan through China and across the Pacific to the major US cities. This is potentially, especially on the China-US leg, a lucrative route, which a number of friendly countries would like but which we are preserving for ourselves. The Pak request, therefore, does not seem likely to be approved.
- b. The issue. The Paks seem to understand that there is little chance of a change now when we have to think first of our own airlines and balance of payments in order to be in a position to help them and others like them in the long run.
- c. Suggested reply. You have done what you promised -- ask the bureaucracy for a sympathetic hearing -- and there is no reason to bring this matter up again.

One final thought on responding to the Ambassador is whether you will have time to do this before you leave. If not, do you want me to call on him and deliver these points informally in your absence?

Yes HK

No _____

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Concurrence: Richard T. Kennedy RTK
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