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TELEGRAM

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ACTION NEA-12

INFO OCT-01 ADP-00 SS-15 SSO-00 CCO-00 RSC-01 RSR-01 1030 W

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- O R 050926Z APR 73
- FM AMEMBASSY ISLAMABAD
- TO SECSTATE WASHDC IMMEDIATE 8641
- INFO AMEMBASSY COLOMBO
- AMEMBASSY DACCA
- AMEMBASSY KABUL
- AMEMBASSY KATHMANDU
- AMEMBASSY NEW DELHI
- AMEMBASSY TEHRAN
- AMEMBASSY AMMAN UNN
- AMEMBASSY ANKARA UNN
- AMEMBASSY ATHENS UNN
- AMEMBASSY BEIRUT UNN
- AMEMBASSY JIDDA UNN
- AMCONSUL KARACHI UNN
- AMEMBASSY KUWAIT UNN
- AMCONSUL LAHORE UNN
- AMEMBASSY NICOSIA UNN
- AMEMBASSY SANAA UNN
- AMEMBASSY TEL AVIV UNN
- AMEMBASSY ABU DHABI UNN
- AMEMBASSY MANAMA UNN
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E.O. 11652: GDS
TAGS: OCON, PINT, PROR, ECON, PK
SUBJECT: NEA CHIEFS OF MISSION CONFERENCE - COUNTRY SUMMARY FOR PAKISTAN

REF: STATE 55401

BEGIN SUMMARY: THIS MESSAGE TRANSMITS PAKISTAN COUNTRY



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SUMMARY REQUESTED REFTEL. END SUMMARY

1. FOREIGN AFFAIRS: THE GOP'S MAIN PREOCCUPATION IS TO REACH A SATISFACTORY ACCOMMODATION WITH INDIA. BHUTTO HAS A REALISTIC UNDERSTANDING OF THE IMPLICATIONS OF THE 1971 WAR AND THE NEED FOR A NEW SET OF RELATIONSHIPS AMONG THE COUNTRIES OF THE SUBCONTINENT. THIS UNDERSTANDING WAS REFLECTED IN THE SIMLA AGREEMENT OF JULY 1972. ITS IMPLEMENTATION HAS BEEN HAMPERED, HOWEVER, BY THE LEGACY OF A QUARTER CENTURY OF MISTRUST AND HOSTILITY PLUS (IN BHUTTO'S EYES) THE INADEQUACY OF PAKISTAN'S BARGAINING ASSETS AS COMPARED WITH THOSE OF THE OTHERS.

2. PROGRESS TOWARD AN ACCOMMODATION CURRENTLY IS STYMIED BY THE POW ISSUE. INDIA REFUSES TO RELEASE THE POWS WITHOUT BANGLADESH CONCURRENCE; BANGLADESH DECLINES EVEN TO DISCUSS THEIR RELEASE UNTIL PAKISTAN RECOGNIZES BANGLADESH AND APPEARS DETERMINED TO HOLD SOME OF THE POWS FOR WAR CRIMES TRIALS, BUT HAS NOT SPECIFIED HOW MANY. BHUTTO, IN TURN, FEELS HE CANNOT RECOGNIZE BANGLADESH WITHOUT PRIOR ASSURANCE THAT (A) THOSE POWS WILL BE RELEASED RATHER THAN HELD FOR FURTHER BARGAINING AND (B) WAR CRIMES TRIALS, IF THEY MUST BE HELD AT ALL, WILL INVOLVE ONLY A LIMITED NUMBER OF PRISONERS. PENDING RESOLUTION OF THE POW ISSUE, BHUTTO SAYS HE CANNOT IMPLEMENT OTHER PARTS OF THE SIMLA AGREEMENT, SUCH AS RESTORATION OF TRADE AND COMMUNICATIONS WITH INDIA, BECAUSE THESE MEASURES WOULD BE DEEPLY RESENTED BY THE PEOPLE OF PAKISTAN AS LONG AS INDIA CONTINUED TO HOLD THE POWS. PROSPECTS

FOR BREAKING THIS IMPASSE IN THE NEAR FUTURE ARE PROBLEMATIC, WITH EACH SIDE INSISTING SOMEONE ELSE MUST TAKE THE FIRST STEP. SOME OUTSIDERS HAVE SUGGESTED A PACKAGE APPROACH, PERHAPS WITH A THIRD PARTY (POSSIBLY THE UNSYG) TO SERVE AS GUARANTOR AND CHANNEL OF COMMUNICATIONS.

3. NEXT TO INDIA, PAKISTAN'S FOREIGN POLICY CONCERNS ARE FOCUSED ON THE "BIG THREE": CHINA, THE SOVIET UNION AND THE US. OF THE THREE, PAKISTAN FEELS ITSELF CLOSEST TO CHINA, WHICH IT SEES AS THE ONE MAJOR POWER THAT HAS INVARIABLY SUPPORTED PAKISTAN. CHINA, IN TURN, IS PAKISTAN'S MAJOR SUPPLIER OF MILITARY EQUIPMENT AND SERVES AS THE

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GOP'S CHAMPION IN THE DIPLOMATIC ARENA. RELATIONS WITH THE SOVIET UNION ARE CORRECT BUT SOMEWHAT COOL. THE GOP WOULD WELCOME BETTER RELATIONS WITH MOSCOW BUT IS CONCERNED OVER SOVIET PARTIALITY TO INDIA AND OVER LONG-TERM SOVIET INTENTIONS TOWARD SOUTH ASIA. (THE GOP ALSO TENDS TO PLAY UP ITS CONCERN AS A MEANS OF ATTRACTING GREATER SUPPORT FROM THE US.)

4. THE US STANDS SECOND ONLY TO CHINA IN PAKISTAN'S ESTEEM AT PRESENT. PRESIDENT BHUTTO HAS PUBLICLY EXPRESSED PAKISTAN'S GRATITUDE FOR US ECONOMIC AID, AND THE RECENT RESUMPTION OF LIMITED MILITARY SALES HAS BEEN WELCOMED AS A FURTHER INDICATOR OF US FRIENDSHIP. THE GOP GENERALLY DISPLAYS A SYMPATHETIC UNDERSTANDING OF US INTERESTS, ALTHOUGH IT DOES NOT HESITATE TO TAKE CONTRARY POSITIONS ON VARIOUS ISSUES WHEN ITS OWN INTERESTS DICTATE.

5. WHILE RELATIONS WITH INDIA AND THE BIG THREE TAKE PRECEDENCE, THE BHUTTO GOVERNMENT IS ALSO SEEKING AN EXPANDED "INDEPENDENT" ROLE FOR PAKISTAN IN THE WORLD AT LARGE, ESPECIALLY WITH MUSLIM STATES IN THE MIDDLE EAST AND AMONG THE NEW OIL-RICH STATES OF THE PERSIAN GULF. THE GOP PARTICULARLY VALUES ITS CLOSE TIES WITH IRAN.

6. DOMESTIC POLITICS: BHUTTO'S PARTY ENJOYS A COMMANDING POSITION IN PAKISTAN'S NATIONAL ASSEMBLY AND IN TWO OF THE FOUR PROVINCIAL LEGISLATURES. ALTHOUGH THE NUMBER OF HIS CRITICS HAS INCREASED IN RECENT MONTHS, HE RETAINS WIDESPREAD POPULARITY AND HAS NO SERIOUS RIVAL ON THE NATIONAL SCENE. MEANWHILE, THE MILITARY SERVICES SEEM BY AND LARGE TO BE ESCHEWING POLITICS. A MASTER AT POLITICAL MANIPULATION, BHUTTO SHOULD REMAIN IN POWER FOR THE FORESEEABLE FUTURE.

7. BY APRIL 21, PAKISTAN'S NEW CONSTITUTION SHOULD BE ENACTED, ESTABLISHING A FEDERAL PARLIAMENTARY SYSTEM. DISPUTES WILL DOUBTLESS PERSIST, BUT THE INTENSE POLITICAL SQUABBLING WHICH HAS CHARACTERIZED THE RECENT PAST MAY TEND TO DIMINISH.

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8. PAKISTAN'S MAJOR POLITICAL PROBLEM REMAINS THAT OF UNIFYING ITS VARIOUS ETHNIC AND LINGUISTIC GROUPS; THE MAJORITY PUNJABIS, THE SINDHIS, THE PATHANS, THE BALUCH AND THE 1947 REFUGEES FROM INDIA. REGIONALIST SENTIMENT EXPLOITED BY THE PRINCIPAL OPPOSITION PARTY, THE NATIONAL AWAMI PARTY (NAP), RUNS HIGH IN BALUCHISTAN AND THE NORTH WEST FRONTIER PROVINCE, AND BALUCH AND PATHAN GRIEVANCES AGAINST THE CENTRAL GOVERNMENT AND THE PUNJABI

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MAJORITY, REAL OR IMAGINED, ARE LIKELY TO CONTINUE. UNLESS BHUTTO OR THE NAP MISCALCULATE THE STRENGTHS AND WEAKNESSES OF EACH OTHER, HOWEVER, THESE GRIEVANCES SHOULD BE CONTAINABLE.

9. BHUTTO PERCEIVES, PROBABLY CORRECTLY, THAT PAKISTAN REQUIRES A STRONG CHIEF EXECUTIVE. AT THE SAME TIME, HE IS PUBLICLY COMMITTED TO GREATER MATERIAL AND SOCIAL BENEFITS FOR THE POPULATION. HE MAY, LIKE HIS PREDECESSORS, ULTIMATELY MOVE TOWARD INCREASING AUTHORITARIANISM AS HE FACES THE HARD REALITIES OF LIMITED RESOURCES AND LIMITED CAPABILITY.

10. POLITICAL-MILITARY: PAKISTAN'S DEFENSE ESTABLISHMENT, TOTALING ABOUT 500,000 MEN, IS PROFESSIONAL, DISCIPLINED, WELL-TRAINED AND GENERALLY COMPETENT. ITS MOST SERIOUS DEFICIENCY IS IN EQUIPMENT, A CONSIDERABLE AMOUNT OF WHICH IS OF PRE-1965 VINTAGE FROM THE US. OUR RECENT DECISION ON MILITARY SUPPLY WILL EASE THE SPARE PARTS PROBLEM BUT WILL NOT RESOLVE THE BROADER PROBLEM OF OBSOLESCENCE. CHINA IS THE PRIMARY SUPPLIER OF NEW MILITARY EQUIPMENT BUT DOES NOT PROVIDE THE SOPHISTICATED EQUIPMENT PAKISTAN FEELS IT NEEDS. FRANCE AND OTHER EUROPEAN COUNTRIES ARE SUPPLYING SOME MODERN FIGHTER AIRCRAFT AND OTHER SOPHISTICATED EQUIPMENT ON COMMERCIAL TERMS.

11. PAKISTAN'S ARMED FORCES WOULD BE NO MATCH FOR INDIA IN AN ALL-OUT WAR, ALTHOUGH THEY ARE CAPABLE OF MAINTAINING INTERNAL SECURITY AND OF DEFENDING THE COUNTRY AGAINST ATTACK FROM ANY OTHER QUARTER (EXCEPT ONE BACKED BY THE SOVIET UNION). PAKISTAN'S PRESENT DEFENSE GOAL IS TO CREATE A DETERRENT TO INDIAN ATTACK BY DEVELOPING FORCES STRONG ENOUGH TO PREVENT A QUICK AND RELATIVELY PAINLESS INDIAN VICTORY. THE CURRENT EFFORT TO RE-EQUIP THE PAK ARMED FORCES FOR THIS MISSION IS STRAINING PAKISTAN'S RESOURCES. THE MILITARY BUDGET FOR THE CURRENT FISCAL YEAR IS APPROXIMATELY ONE-THIRD OF THE TOTAL FEDERAL BUDGET AND NEARLY SEVEN PERCENT OF GNP.

12. THE ECONOMY: THE GOP HAS MADE UNEXPECTEDLY GOOD PROGRESS IN COPING WITH THE ECONOMIC PROBLEMS RESULTING



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FROM CIVIL WAR, MILITARY DEFEAT BY INDIA, AND THE LOSS OF EAST PAKISTAN. THE IMMEDIATE ECONOMIC OUTLOOK BENEFITS FROM THE SECOND SUCCESSIVE YEAR OF AN EXCELLENT COTTON CROP AND CONTINUED HIGH WORLD COTTON PRICES; CONTINUED STRONG FOREIGN DEMAND FOR PAKISTAN'S TEXTILES; PROSPECTS FOR A RECORD WHEAT CROP; AND IMPROVED DOMESTIC INDUSTRIAL RELATIONS. EXPORTS FOR THE CURRENT FISCAL YEAR ARE ESTIMATED TO BE OVER \$650 MILLION, MORE THAN THE TOTAL FOR BOTH THE FORMER EAST AND WEST WINGS DURING THE LAST NORMAL YEAR PRIOR TO THEIR SEPARATION.

13. ON THE NEGATIVE SIDE, THERE IS STILL LITTLE NEW PRIVATE INVESTMENT. DOMESTIC PRICES HAVE RISEN BY MORE THAN 15 PERCENT IN THE PAST YEAR AND INFLATIONARY PRESSURES CONTINUE TO BE SUBSTANTIAL.

14. THE UNITED STATES HAS EXTENDED OVER \$300 MILLION IN NEW ECONOMIC ASSISTANCE TO PAKISTAN SINCE THE BEGINNING OF 1972, AND INTERNATIONAL AGENCIES AND MOST MEMBERS OF THE AID CONSORTIUM HAVE ALSO EXTENDED SUBSTANTIAL AID. THREE QUARTERS OF PAKISTAN'S 1972-73 DEVELOPMENT PLAN IS FINANCED BY FOREIGN AID. MEANWHILE, NO PROGRESS HAS BEEN MADE IN DIVIDING THE RESPONSIBILITY BETWEEN PAKISTAN AND BANGLADESH FOR THE LARGE EXTERNAL DEBT ASSUMED BEFORE SEPARATION. THE GOP HAS DECLARED THAT AFTER JUNE 30, 1973, IT WILL NO LONGER SERVICE THE PORTION OF THE EXTERNAL DEBT WHICH IT CONSIDERS THE RESPONSIBILITY OF BANGLADESH. ALL CREDITOR CONSORTIUM MEMBERS HAVE RECENTLY MADE PLEDGES FOR ADDITIONAL DEVELOPMENT ASSISTANCE TO BOTH PAKISTAN AND BANGLADESH CONDITIONAL UPON PROGRESS IN RESOLVING RESPONSIBILITY FOR THE EXTERNAL DEBT.

15. POST STAFFING: THIS POST HAS THE TRADITIONAL FOREIGN SERVICE STAFFING PATTERN. THE ALL-AGENCY COMPLEMENT IN ISLAMABAD IS 140 AMERICAN EMPLOYEES AND 542 PAKISTANI EMPLOYEES. THERE ARE AN ADDITIONAL 44 AMERICANS AND 326 PAKISTANIS AT THE CONSTITUENT POSTS IN KARACHI, LAHORE AND PESHAWAR. THERE ARE NO UNUSUAL POST OPERATING PROBLEMS AT PRESENT.
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