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EMBASSY OF THE
UNITED STATES OF AMERICA

Dacca, Bangladesh

December 2, 1972

Official - Informal
CONFIDENTIAL

L. Bruce Laingen, Esquire
Country Director, NEA/PAB
Department of State
Washington, D. C. 20520

Dear Bruce:

Thank you very much for your letter of November 9 forwarding "Framework of a Policy for South Asia". It made very interesting reading and represents a good deal of thought and imagination. The concept that our policies toward individual countries in the area should be carefully tailored to our overall subcontinental interest is sound indeed. I only hope this concept will hold up.

Cleve Fuller has written up some comments on the paper, which are enclosed herewith. I have thus far been too preoccupied with day-to-day pressures to contribute any organized thoughts of my own.

Warmest regards,

As always,

Dan

Daniel O. Newberry
Charge d'Affaires ad interim

Encl: Memo re "Framework of a Policy for South Asia" of 11/30/72

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November 30, 1972

Memorandum

TO: R. J. Carle
D. O. Newberry

FROM: A.S.C. Fuller

SUBJECT: Framework of a Policy for South Asia

I have read the draft scenario, find it generally a good presentation, but would like to comment on two issues.

A) Resumption of Military Sales to Pakistan - I think we should take a strong position against a resumption of military sales/aid to Pakistan. The paper describes our relations with India as central and all-important in our policy toward the subcontinent. To resume the arming of Pakistan, I don't think would be consistent with the Simla spirit or process or with our declared support for Simla. There is no such concept in the Indian mind of a "limited" military sales program to Pakistan. Sales are sales, and our declared intention to return to such activity would reopen old wounds in India, grate on old nerve ends. We would destroy the impression that we were trying to take a new look at the sub-continent and that we acknowledge India as the key state there.

The scenario suggests we will be providing 300 Armed Personnel Carriers to the GOP. This was the number decided on in 1969 in the One-Time Exception, at a time when Pakistan had the eastern province to defend as well. What earthly need has a truncated Pakistan of the same number of APC's ... except (in the Indian view) possibly to invade India with. APC's are not needed for internal security; they are of aggressive intent. True, under the scenario we would be foregoing the supply of planes under the OTE, but that commendable restraint will not be appreciated in India. She will be offended by the resumption of any part of the OTE. True, also, we would engage in prior consultations with the GOI. This, I fear, would only poison the atmosphere for subsequent talks if not stall them on the arms issue.

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In lieu of this return to a not very successful past, I would propose that the USG indicate that it no longer sees the necessity for a significant buildup of Pakistan's military strength and is therefore refunding, with interest, the down payment which the GOP has made on the APC's. Simultaneously, I think we should indicate to the GOP that we do see a need to continue economic aid from abroad and consistent with a proper allocation of Pakistan's own resources to development (not military buildup), will extend additional economic assistance. The increment could be a multiple of the cost of the APC's.

The GOP will react adversely, but in displeasure, it cannot get any closer to China nor would it wish to do so vis a vis the USSR, India's ally. If it withdraws from CENTO, so be it. The Paks will be disappointed in our decision but really are not in a position to do much about it that is significantly adverse to our interests.

On the other hand, revival of arms supply to Pakistan would clearly set back the slow, painful process of restoring our relations with India. The connotations of another Pak arms deal to Delhi are simply too onerous and irritating.

B) Aid to Bangladesh - The depiction in the scenario of economic assistance to Bangladesh strikes me as somewhat dated (page 9-10). Our aid is not all "clearly identifiable with remaining rehabilitation needs". Let us be honest: the projects we are engaged in are for the most part resumptions of development activities. Food aid we call food relief, but we are straining Title II to continue to ship under it. We are providing food to Bangladesh to feed people as we did during the Pak period, prior to the November 1970 cyclone; and also to generate local currency for the government to use in employment-intensive rural development projects, also as we did in the pre-emergency period.

The scenario speaks of a "longer range" aid policy of development lending in the $60-70 million range, plus Title I PL-480 as needed. I shall not reiterate my opposition to development loan aid, as opposed to development grant aid for RLDC's. I am also concerned about the dollar figure cited. $75 million in aid was earlier given as the annual figure for Pakistan. The two programs will inevitably be compared. I should think there would be as good a set of economic/developmental grounds for a $75 million program for Bangladesh as for such a program in Pakistan.

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Development aid in Bangladesh is to emphasize rural development and family planning. No mention is made of commodity assistance on the non-food import side. This is large in the current grant program - $41 million of the $115 million, and I would argue that the list of commodities projected for FY 1974 - fertilizers and pesticides - should be expanded to include non-agricultural imports as well. Commodity aid, I feel, should be cited as well as rural development and family planning, for emphasis in the development assistance program.

ASCF:bk