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EMBASSY OF THE
UNITED STATES OF AMERICA

New Delhi - May 11, 1964.

Bowles
x India map

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Dear Bob:

I am a bit confused by your letter of April 24, and can only assume that the various messages in regard to the Indian five year military plan, high performance aircraft and other questions had not yet reached your desk or that you had not had an opportunity to read them.

1. In regard to the size of the defense plan I think we have done about everything possible in this situation and, by and large, I feel that our efforts have been extremely effective. The memorandum which I sent to Nehru was circulated to all members of the Cabinet and appears to have been generally accepted as a basis of procedure by all elements of the government with the exception of the Defense Ministry.

Although the Indian military are no more likely to accept the overriding need for economic development than our own Air Force people would be inclined to substitute an expanded program in Appalachia for more missiles, Chavan himself, I believe, has become aware, however reluctantly, that the projected five year military build up is unrealistic and so have most of his Civil Service staff. (See Embtel 3328, for example).

Although there will undoubtedly be more discussion on this subject during the Chavan visit, I think you and Mac should urge everyone to bear in mind that the final decision is not going to be made by General Chaudhuri, Arjan Singh or even by Chavan but rather by the Prime Minister, the Finance Minister, Shastri and others who I now think understand the economic realities quite well.

Amer //

Mr. Robert Komer,
The White House,
Washington, D.C.

DECLASSIFIED
E.O. 13526, Sec. 3.5

NLJ 11-75 (#109)

NARA, Date 9-29-11

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By *id*

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2. In your letter you say "We here have seen nothing firm about whether you have ever even tried out the original package (U.S. high performance aircraft and HF-24 development) on the Indians". I did not try out the package because I was not given the authority to do so in spite of several requests. In Deptel 2016 on April 5 it was stated that "aircraft types will not be discussed with the GOI in New Delhi". It was not until April 11 (Deptel 2060) that I even received authority to discuss the possibility of HF-24 development which I proceeded to do the following day.

However, General Adams and various members of our military staff became convinced through some highly tentative feelers with GOI defense authorities that the F6A program would be extremely hard to sell unless we went into numbers far beyond the 75 planes which we had discussed in Washington. Indeed, General Adams was convinced that only if we moved to two squadrons of F-104s delivered at a reasonably early date plus a willingness to help out substantially in regard to HF-24's (Mach 2), with the further understanding that we would provide an assembly line for F-104s if the HF-24 failed, would we be able to maintain an effective position in regard to the Indian Air Force.

Although I have continued to believe that there is still some chance that the F6A might be acceptable on the grounds that it can be procured more quickly and in much greater quantity, I agree with General Adams that the odds are not good--particularly in view of the fact that the presentation of the Lockheed representatives here (whose visits were authorized by both Pentagon and State) convinced the Indians that when the chips are down we are prepared to come through with the F-104s.

In regard to HF-24 Mark II production, the Indians, in Chavan's words, would welcome our willingness to help if we had been forthcoming 60 days ago but at this stage they are giving first priority to the UAR's German experts. Again, I don't despair on this question (provided we are really outgoing with the Chavan Mission), particularly since early reports on the Rolls Royce engine appear somewhat promising.

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3. The attached memorandum from Col. Jordan may serve as a reminder of our efforts to avoid the situation which we now fear. If circumstances had enabled us to say in January or even February what we seem to be prepared to say now, we could have largely dealt the Soviets out of the situation in regard to sophisticated weapons.

As I pointed out in President Kennedy's office in late April 1963, it is totally wrong for us (or our Pakistan friends) in discussing military defense with the Indians to assume that we can hold down Indian military defense program by postponing decisions and refusing to help them do what they feel needs to be done. The Indians have three options besides the United States--the development of their own production facilities, the use of their own foreign exchange to buy equipment in Europe, and the Communist bloc. In regard to the first two of these we have been able to exert some leverage because of our AID program--although if our pressures are too insensitive, the Indians will turn us down at whatever cost to themselves.

However, we can exercise very little leverage in regard to procurement from the USSR. The Communist bloc association, as I have been saying for a very long time (sometimes with a feeling that, with the exception of you and one or two others, I was talking into a vacuum), is a major and increasing alternative. Witness the major Soviet aid which started in June 1963 in the face of our general assumption that it should not be considered a real possibility; witness the new MIG-21 plant; witness the massive Soviet aid for Bokaro; witness the Soviet SAMs; witness the most recent announcement that Czechoslovakia will assist in Indian defense production.

*and
transmitter*

We have seen the Indian delegation off from New Delhi in what I believe to be an extremely friendly and basically realistic mood and with, I believe, the clear understanding, in their minds at least, that the Finance Ministry and the Government will not support them in any outsize expenditures of foreign exchange.

I will be in Washington on the 23rd and will look forward to seeing you shortly thereafter. Let me say again, if it needs saying,

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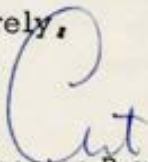
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that you have been our greatest source of understanding and support,
and this is deeply appreciated.

With my warmest regards,

Sincerely,


Chester Bowles

P.S. Although the amoebic dysentery which hit me hard in
mid-April (at the very time that General Adams, the Investors
Mission and Orville Freeman were visiting here) now seems to
be cleared up, Dr. Beahler tells me that it is the kind of thing
which often returns and I am planning a thorough checkup in
the United States.

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TO: Ambassador May 11, 1964
FROM: SPA - Col. Jordan
SUBJ: Extracts from Embtels urging need for Firm US Position re Soviet SAMs, MIG Production, and Aid to HF-24 Project

I have compiled the following extracts in response to your request that I screen the past few months' Embtels dealing with this subject.

1. December 26, 1963, Embtel 1975:

"They are now negotiating with USSR for improved version of MIG-21 with greater range and all-weather capability to be manufactured by GOI. Although they said production of MIG-21's is expected to start in late 1966 this sounds optimistic and it is our guess that GOI may not be fully committed to this venture.

"They are now proceeding with production of their own HF-24 Mark 1. This is transonic aircraft which with improved Orpheus engine will attain speed of more than Mach 1. It will go into production by late 1964 at rate of about three per month with higher rate of production available as required. Total number has not been determined.

"From Indian point of view this largely home-grown program is appealing since it will enable them to have a relatively modern air force on a more or less self sufficient basis. However, in its present form it would seem to be contrary to interests of Paks and to lay us open for future demands from the latter for high performance aircraft to match new Indian production and procurement. To extent that it introduces Soviets into sensitive areas of Indian missiles and sophisticated aircraft production it also appears contrary to our interests."

2. January 9, 1964, Embtel 2081:

"In regard to MIG's and HF-24's Bhoothalingam stressed that this situation was still fluid. Only solid assurance received thus far from Soviet Government is for 12 MIG's built in USSR, 6 of which have already been delivered (two lost Dec 21) with 6 additional expected soon. Negotiations in regard to MIG factory still hanging fire; GOI has very little clear knowledge of what kind of financial arrangements Soviets are prepared to offer.

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Authority NLS/PAC 00420(4/466)
By jc/ics NARA. Date 8-26-03

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"Four MIG 21 squadrons now scheduled for 1969 are therefore tentative with final program dependent on "reasonableness" of USSR in regard to terms and on development of India's HF-24. If suitable engine can be found or developed to provide Mach 2 speed, GOI would prefer to drop MIG operation and concentrate efforts on producing HF 24 Mark I and Mark II. Although GOI would like to get engine for latter plane from us, their experts assert that we have nothing available. Best possibility is considered British Bristol engine.

"GOI Cabinet meeting reportedly will be held within month for decisions on fighter type aircraft procurement. Sources include Indian manufacture of HF-24 and/or MIG-21, US provision of modern aircraft (F-5, F-104, etc.), UK (Javelins are not considered adequate), and direct procurement from USSR of additional MIG-21's.

"He added there was considerable disagreement within GOI in regard to priority that should be given SAMs; some felt that by having single complex adequate to protect only one city, Chinese may be encouraged to attack other major cities. GOI would be delighted if we would provide 3 additional SAM complexes for remaining north India areas which they consider priority targets."

"COMMENT: From this conversation and one recently with Krishnamachari (Embtel 1975), GOI seems to assume we are not likely to provide high performance aircraft and therefore they have no practical alternative but to move ahead as best they can on their own. It may be that US interests including our relations with Paks would be best served if we provided SAMs and in cooperation with British assured GoI necessary scientific and capital assistance in building their HF-24.

3. February 20, 1964, Embtel 2457:

"In view of our own delays, Soviet activities, disappointment over Security Council debate on Kashmir and increasing fear of US support for Pakistan, our negotiating position at this stage is obviously weaker than in October and November when GoI response to our tentative proposals was forthright and eager. Great good will for US however remains and most GOI leaders would still far prefer to work with us than with USSR. Therefore presentation along following lines might still be effective ...

"2. To fill this intermediate gap US is prepared to provide, as rapidly as pilots can be trained, one squadron of high performance aircraft with one or two additional squadrons to follow as training process permits.

"US will also discuss procurement of SAMs for protection of three north Indian cities not yet covered by SAMs from USSR. Finally USG is ready to investigate possibility of assisting India in production of modern, faster version of HF-24.

"Comment: With prompt adequate action and careful handling this program might still persuade GOI to abandon present plans for production of MIG-21 which will be costly, ineffective and obsolete by time they are available in any quantity and contrary to our political interests in South Asia. It may also block further purchases of Soviet SAMs. We know T. T. Krishnamachari, Shastri and others would much prefer working closely with us than with Russians, and there is appreciable chance that we might pull it off.

"In any event I believe that Administration should clearly understand major stakes which are involved and face up to political as well as military implications of rapidly growing Soviet role in Indian military."

4. February 25, 1964, Embtel 2500:

"It is urgently important that we block this MIG-SAM deal if at all possible. Impact here of announcement that north Indian cities will soon be protected by showy Soviet MIG's and glamorous SAM's would be profoundly disturbing to our interest.

"Therefore we need assurance of one squadron of supersonics soon plus SAM's as part of general program. As SAM's are purely defensive they should not worry the Paks. If two additional fighter squadrons could follow within two or three years, making total of three squadrons for India with two going to GOP to provide balance of three against three, we would be in favorable position."

5. February 27, 1964, Embtel 2543:

"Under these circumstances I strongly urge the administration to allow me to offer one squadron of modern high performance planes F5 or 104's-- at the most reasonable possible price, this squadron to be delivered as soon as the pilots could be trained. In addition, we and the British will help them with their advanced modern HF-24. If I had this package firmly in hand, I might still stop the MIG deal from going through. Even if I fail, we will at least be in a position to remind the Indians that we were willing to cooperate at a very critical moment and it was their decision to go in the other direction."

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6. March 12, 1964, Embtel 2675:

"Against this background I believe it is essential that USG should make one final vigorous and carefully calculated effort to break through classic cycle by persuading GOI to abandon plans to build 150 MIGs in India and to purchase additional twelve batteries of SAMs from USSR."

"... If British continue to drag their feet, we must step into the breach with some high performance US planes (provided Indians agree to kill off MIG and SAM deals) or abdicate our position in regard to India's air defense to USSR."

"Although the Indians will no doubt resist being maneuvered out of MIG deal the situation is not yet hopeless. After all when VOA agreement became politically inconvenient the GOI found a way to drop it."

7. March 17, 1963, Embtel 2740:

"As we have indicated (Embtel 2675), we fully support effort get British to meet IAF combat Air Force requirements, both short term and long term (production). Suggest our objective in London talks is to nail this down without excessive discussion of what aircraft or what particular engine, since supplying modern combat aircraft and production of Indian HF-24 are essential in terms of avoiding confrontation with Soviets in subcontinent. If the British hesitate, we should be ready at least to provide aircraft."

8. March 20, 1964, Embtel 2769:

"Our inability to reach decision in regard to assistance for Indian military following Gen. Max Taylor's visit here in December, although understandable in view of pressure under which Dept. and Pentagon have been operating, has reduced in significant degree our ability to reach favorable arrangement with Indians."

"In January when GOI became discouraged about size, nature and reliability of US-UK assistance, decision to go ahead with MIG deal and additional SAMs began to crystallize in Indian Govt. If the additional SAMs and the MIG production line do in fact materialize Soviet position in India will be greatly strengthened to detriment both Pakistan and US."

"... We should urge Indians to focus their effort in domestic production of HF-24s with British or American assistance. To prove our good faith we

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might tell Indians that if we are unable to show adequate progress with engine for HF-24's within two or three years we will provide comparable aircraft either to be manufactured in India or on a grant or purchase basis."

9. March 26, 1964, Embtel 2836:

"TTK said 'in regard to Soviet SAM's, only one complex has actually been purchased; the Calcutta and New Delhi deals remain undecided and, admittedly, they are expensive. Although GOI is close to decision, it would welcome any opportunity to consider US procurement even at this late date'. He went on to note that 'US, for more than a year has not been in a position to talk frankly with India in regard to military assistance and this is why India had no alternative but to move ahead as she was doing'."

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EMBASSY OF THE
UNITED STATES OF AMERICA

New Delhi - April 28, 1964.

*Bowles
x India*

Dear Bob:

I have recently been giving a great deal of thought to the implications for India and other developing countries of the Sino-Soviet split, and possible Soviet courses of action in the future. I have talked about this problem with key Indian leaders and found a surprising degree of understanding on their part of the great dangers inherent in this situation.

The attached memorandum on this subject has been written for Secretary Rusk. I thought you would want to have a copy.

I would be very grateful to you for any comments you would care to make about the memorandum.

With my warmest regards,

Sincerely,

Chester Bowles

Enclosure:
Memorandum

Mr. Robert Komer,
The White House,
Washington, D.C.

DECLASSIFIED
E.O. 12958, Sec. 3.5
State Dept. Guidelines
By jc, NARA, Date 8-7-03

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MEMORANDUM FOR SECRETARY RUSK

New Delhi, April 25, 1964.

From: Ambassador Chester Bowles

Subject: Political By-Products of the Soviet-Chinese
Split in Key Developing Countries

During my recent visit in Washington I talked, at your suggestion, with both Tommy Thompson and Tom Hughes about the implications of the increasing gap between the Soviet Union and China. I also talked with John McCone and found all three exchanges most stimulating.

Naturally the effect of this split on Soviet policy in India is of particular interest and concern to us here, and for this reason I would like to offer my own supplementary views in the hope that they will stimulate further discussion and perhaps suggest some guidelines for a political counter effort by the United States. Here are some of my general conclusions on how Soviet policy may develop in the coming months.

A. Political Implications of the Nuclear Detente.

1. Although our current effort to ease the nuclear impasse with the USSR, to reduce our military burdens within the reasonable limits of our national security, and to foster more liberal forces in the USSR and in Eastern Europe is sound and in our national interests, it opens up many unpredictable by-product possibilities which must be taken into account.

2. For a variety of reasons the Soviets are likely to respond to our initiatives in a cautious but generally affirmative way. These reasons include: (a) the Cuba confrontation which underscored not only the danger of war but also the military capacity and political courage of the United States Government; (b) the increasing financial burden of sophisticated weapons superimposed on a costly space program and a lagging economy which curtails the Soviet ability to finance its internal development and at the same time expand its efforts in the developing countries; (c) experience which has shown that an easing of tension between the United States and the USSR is likely to open up differences

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Authority NLS 89-170 (4147a)

By jsip. NARA. Date 8-27-03

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among the Western powers which can be exploited effectively by Moscow through political action, etc., etc.

3. At the same time the Soviet's growing split with China dramatizes the weaknesses of the Soviet-dominated Communist parties in Asia, Africa and Latin America as presently organized and oriented. All these factors combine to press the Kremlin to develop a fresh political and economic approach which simultaneously takes into account the dwindling ideological appeal of the Communist dogma in the developing nations while exploiting the political by-products created by the limited military detente with the West.

4. Under these circumstances I would expect the USSR, (a) to guide the local Communists who side with Moscow into United Front movements similar to those which first Lenin and later Stalin fostered between the Great Wars, and (b) to focus major economic and military Soviet assistance on the most politically promising and strategically important Asian, African and Latin American nations.

In the latter regard I believe it would be folly for us to underestimate the Soviet's economic capacity over the next decade. (Ten years ago we were reassuring each other that captured German technicians were largely responsible for Soviet industrial and military progress.) It would be more realistic to assume that the USSR will ultimately solve its agricultural dilemma and manage the transition to a more consumer-based economy. At some stage we may expect the Soviets to launch a major effort to switch a major fraction of the trade of selected developing nations away from the West towards the Soviet bloc.

5. The United States' response should be boldly to accept this new Soviet economic-political challenge precisely as we have successfully met the Soviet military challenge. To do so effectively, however, we must be prepared to break loose from old habits of mind and to explore creative new courses of action, some of which will run counter to the current dogma.

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B. India: A High Priority Soviet Target.

Against this general background, let us consider the situation in India. As you know, we in the New Delhi Mission have consistently viewed the Soviet political threat here as at least as dangerous as the Chinese military threat. For this reason we have advanced our military assistance proposals in a significantly broader political framework than has generally been assumed in Washington.

In this I believe that our position is sound. Even before the recent angry Soviet-Chinese exchange it was clear that the USSR had given India a higher political priority than any other nation with the possible exception of Germany.

There are several reasons for this. While the Satellite countries have very little influence outside the Communist bloc, India is the second most populated country in the world, strategically located, and by all odds the most effective Asian element in balancing the political power of 700 million Chinese.

Conversely Soviet friendship and support is of great importance to India as a balance to China, as a support against Pakistan, as the second largest source of economic assistance, and as proof of Indian nonalignment.

As a result of its high priority, New Delhi is now believed to contain more Soviet agents, persuaders and manipulators than any other non-bloc city with the possible exception of Paris.

Both the importance of India to the USSR and the Kremlin's freedom of action in exploiting the situation here have now been sharply increased by the near-open break which seems to have occurred in the relationship between the present governments of China and the Soviet Union. Having been further released from the political inhibitions which were inherent in its Chinese affiliation, we may expect the already formidable Soviet political-economic-cultural offensive in India to increase both in scope and effectiveness.

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The climate here in New Delhi is such that a Soviet offensive of this kind has a significant prospect for success. A few months ago, for instance, most Indian officials viewed the Soviet-Chinese conflict as a welcome but perhaps transitory family quarrel. Following the recent exchange of epithets, however, China has emerged as hopelessly extremist and expansionist, while the Soviets appear as patient, responsible middle-of-the-roads, opposed both to the "imperialists" of the right and the nuclear reckless Chinese on the left, and consequently a much more dependable source of assistance in opposing the aggressive designs of its former Communist partner. We assume that the Soviets will play this benevolent role to the hilt.

In respect to economic aid, the Soviets are likely to dig deep in order to step up assistance to India, with new techniques to encourage greater trade between India and the USSR thrown in for good measure. A Soviet agreement to build and operate the great Bokaro steel complex may even be announced within a matter of weeks.

In the military field we expect the Soviet Union to increase its present programs in India and to improve the financial terms; nor would we be surprised to see the Soviets offer the Indians public assurances of support if they are attacked by Pakistan or even China.

In my view it would be reckless and irresponsible for us to base American policy on the hope that such developments may not be in the wind. Already the USSR has "given" Indonesia close to a billion dollars in military assistance with substantial amounts to the UAR and others. (According to the best information available to us here over 100 MIG-21s have gone to the UAR with forty or so even to Syria.) Now that the Soviet-Chinese split has become exacerbated assistance on a similar scale may soon be offered here.

C. Changing Soviet Political Tactics in India.

In regard to its domestic political operations in India, the Soviet Union may sponsor left-wing united fronts based on whatever elements of the Indian Communist Party it can control

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plus the Krishna Menon group and other left-wing Socialist groups. The left-wing press may be expected persuasively to argue that ideological differences among the "democratic forces" should now be buried so that all may join hands in protecting India from the wicked machinations of the Western imperialists (meaning the United States) and their reactionary Indian lackeys (meaning Shastri, T. T. Krishnamachari, et al).

Indeed there is evidence that the Kremlin has already formulated a political program along these lines and issued tactical instructions. For instance, there is the apparent relish with which Communist Party Chairman Dange, when he recently returned from Moscow, refused to accommodate to the challenge of the Chinese-oriented left wing of the CPI.

In the meantime, a recent issue of the CPI official weekly, "New Age," openly advocates a united front of the CPI and the left wing of Congress while rumblings of a similar move are reflected among certain elements in the Socialist parties.

Although the "New Age" originally favored the release of Abdullah we may now expect to see the Communist-led united leftist front seek common cause with the Hindu extremists on the Kashmir-Pakistan question. According to recent reports, for instance, Morarji Desai is already working closely with Krishna Menon in opposition to the "blunderers" who released Abdullah from prison (meaning Shastri, TTK and the moderate center).

Although the political patterns, particularly those created by the interplay of leftist forces, cannot be foreseen with any precision, the situation is wide open for Soviet manipulation which may turn out to be similar to the successful Leninist-Stalinist effort to harrass and destroy democratic governments in Europe during the 1920's and 1930's.

The Soviet's first step in this political offensive was the 1920 Conference of European Socialists in Moscow which, under Lenin's skilled direction, resulted in a breakup of the Second International and the emergence of the Comintern. The

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objective was to provide the USSR with a more reliable instrument of world revolution and Lenin made no bones about the technique: "If there are five parties," he said, "join with three to crush the fifth. Then side with two to eliminate the fourth. Then team with one of the two to destroy the third. That leaves only one opponent which can be easily handled."

A few years later under the direction of Stalin's emissary, Borodin, the Chinese Communist Party joined with the Kuomintang in a United Front. Between 1937 and 1945 a similar association was developed which ultimately laid the basis for the Communist take-over in 1949.

In France in the 1920's and 1930's the Communists were the driving force behind a series of Popular Front governments which through harrassment, strategically-devised strikes and skilled political manipulation led France into national impotence.

In post-World War I Germany and Italy, the Communists and their leftist allies broadened the concept, in line with Lenin's tactical formula, to include tacit cooperation with the extreme right in a successful campaign to destroy the democratic center.

In the latter two countries to be sure, the strategy backfired: the destruction of the democratic moderates under the hammer blows of the Communists and Fascists opened the doors to Hitler and Mussolini and very nearly led to the destruction of Russia itself.

Similarly, here in India the destruction of the democratic center by a Popular Front, left-wing offensive would appear most likely to produce an Army-led totalitarian regime, which under present circumstances would be anti-Communist in its orientation. However, the circumstances may change; the Soviets may assume that with an economically powerful Soviet Union in a position to establish increasing influence among the younger officers in the Indian armed forces, as well as in the body politic, the prospects for such tactics here are much more promising.

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At the risk of carrying my historic parallels too far, I might add that the Soviet-conceived Popular Front gambit of the 1920's and 1930's was initiated in the benevolent atmosphere of the Litvinoff era when the USSR was pressing for general disarmament and calling for League of Nations action against the Italian and Japanese aggressors in Ethiopia and China. In many ways the Soviet image of that time was similar to the one which Khrushchev seeks to create in our era.

D. The Prospects for Such an Approach.

It would be a mistake to minimize the effect here in India of a Soviet political, economic and military offensive of this kind. Indian democracy which owes so much to the now-ailing Nehru is at best a fragile thing; this is still a politically-naive country.

Although India's disillusionment with Communist China is deep-seated, even many democratically-committed Indians are now psychologically prepared to view the USSR as a great and good friend, which--although still possessing some regrettable ideological idiosyncracies--appears to be striving earnestly to adjust its differences with India's other great and good friend, the USA.

In this favorable political setting a skillful Soviet effort to under-cut India's relationship with the United States and its Western associates backed by Soviet rupees, skillfully directed left-wing publications, a stripped-down, Soviet-controlled Communist Party organization cooperating closely with such articulate leftists as Malaviya and Menon may be expected to yield significant results much as a similar effort momentarily served a less powerful and astute USSR in the 1920's and 1930's.

The technique would include demands for a "return to Socialism," opposition to American private investment, the denouncing of the private sector and business in general, efforts to undercut United States military aid, ridicule for the "blundering leaders" of the democratic center, and above all,

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praise for the Soviet Union, India's only true friend.

It is, of course, impossible to predict the precise course of events in such a fluid period as the one ahead. Within the next five years, for instance, either Khrushchev or Mao, or both, may disappear from the scene with a consequent shifting of relationships, and perhaps even rapprochement between the Soviet Union and Red China.

Nevertheless, I am persuaded that a Soviet political and economic offensive in India along the general lines I have sketched out is both likely and formidable. Consequently, I think that unless the Administration sees the challenge in clear perspective and unless Congress can be persuaded to support realistic political action and the budgets necessary to maintain a powerful influence on India's economic and military development, the United States will almost certainly face mounting difficulties here in India.

The situation will be made more difficult by the fact that the U.S. Congress, the press and public are initially drawn to crisis areas which make immediate front-page news. Political situations such as the one I see developing here in India are lacking in immediately dramatic qualities and consequently are much more difficult to deal with on a fresh and imaginative basis regardless of their ultimate implications and dimensions.

Moreover, as the Administration properly and wisely moves to ease the danger of military conflict with the USSR, the revolutionary political and economic objectives of the USSR in India and elsewhere in Asia, Africa and Latin America will become increasingly obscured.

In one sense the situation which we are likely to face in India will be significantly more demanding than the one we failed to meet successfully in China during the 1930's and 1940's. As you know better than most, the decisive factor there was not what we did or didn't do in 1947-48 (when the situation was quite beyond our control) but our failure in the 1930's and the early 1940's to deal effectively with a series

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of specific political-military-economic situations, which were much easier for our harrassed leadership to duck than to deal with.

In an effort to think through the implication of this challenging situation I have appointed a small task force consisting of members of our New Delhi mission with instructions to prepare a comprehensive political and economic program, with both overt and covert features, to counter the expended Soviet effort which appears to be inevitable here in India.

I suggest that similar consideration should be given this possibility not only in India but in other key developing countries by the appropriate individuals and groups in Washington. We will send some specific suggestions in another message that will follow in two or three weeks.

I am also hopeful that the various proposals which I made to you in Washington in respect to military assistance for India and the need to strengthen our administrative and cultural programs will be considered against this political background.

May I add one final note in regard to perspective: Moscow's current desire to ease military tensions appears to be a tactical move designed not only to avoid the danger of war but also to free the Soviets for the more vigorous and flexible political and economic role which I have described. Yet we must avoid the temptation to allow this ambiguity to push us back into the sterile immobility of the Cold War from which we are now beginning to emerge.

A lighter military load will, of course, make more Soviet funds available for the political and economic objectives which I have described. But it will free our own funds too, and we have the ideas, the resources and the people that will enable us not only to counter whatever the Soviets throw at us but to

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outdo them in the political and economic contest precisely as we have already done in regard to the military.

What we are facing, it seems to me, is a second stage in our contest with the USSR. If we meet it as successfully as we met the first, the way may ultimately be opened for a third stage involving genuine cooperation for peace and development. Although this is some years in the future we must never lose sight of the ultimate goal.

In the meantime: let's tackle stage two with the same boldness and skill with which we have successfully handled stage one.

GROUP 3: Downgraded at 12-year intervals; not automatically declassified.

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FOLLOWING MESSAGE RECEIVED [Redacted]

TO WHITE HOUSE FOR BUNDY FROM BOWLES:

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Bowles
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See Bundy, reply

I NEED YOUR DISCREET ASSISTANCE ON THE FOLLOWING PROBLEM. AFTER CAREFUL CONSIDERATION, I BELIEVE JOHN LEWIS BACKED BY AN EXPERIENCED OPERATING DEPUTY IS BY ALL ODDS OUR BEST BET AS DIRECTOR OF THE A.I.D. PROGRAM IN INDIA.

LEWIS HAS GREAT PRESTIGE AS AN ECONOMIST IN THIS PART OF THE WORLD, AN EXPERT UNDERSTANDING OF THE INDIAN ECONOMY GAINED THROUGH HIS PREVIOUS WORK HERE, THE RESPECT OF INDIAN LEADERS INCLUDING TTK, ASHOKA MEHTA, BOOTHALINGHAM, SUBRAMANIAM AND OTHERS, AND THE KIND OF CREATIVE INTELLECTUAL VIGOR AND PERSUASIVENESS THE SITUATION HERE URGENTLY REQUIRES.

ALTHOUGH DAVE BELL IS FAVORABLE, I AM FEARFUL SITUATION MAY BECOME BOGGED DOWN BY RELUCTANCE TO FREE LEWIS FROM COUNCIL ECONOMIC ADVISERS OR BY OTHER FACTORS.

LEWIS IS PLANNING TO LEAVE HIS PRESENT JOB IN JANUARY IN ANY EVENT, I UNDERSTAND. HE SEEMS INCLINED TO ACCEPT OUR OFFER WITH ASSURANCE THAT HE WILL STICK WITH THE JOB FOR AT LEAST THREE YEARS. I ASK YOUR HELP AND SUPPORT SOONEST IN SEEING THAT HE DOES NOT GET AWAY INADVERTENTLY. DECISION MAY COME TO A HEAD MONDAY.

0620

~~TOP SECRET~~

SANITIZED
E.O. 13526, Sec. 3.5

PRESERVATION COPY

By ch NARA, Date 8-23-13

April 3, 1964

Bowles

Dear George:

I was very glad to have a talk with you during my brief visit here in Washington. I am particularly grateful for your offer to give me what help you can on our rupee situation.

As you know, the problem divides really into two parts: first, the rupees which we need so badly to meet our minimum administrative needs, and second, the rupees for creative programs, most if not all of which could be handled through the proposed Bi-national Foundation.

I talked to the President about both of these operations and found him much interested as well as somewhat shocked to hear of our predicament, i.e., loaded down with rupees that we cannot spend for the most essential purposes.

I asked the President to talk with John Rooney about this situation when he sees him and he said he would do everything that he could. I think a follow up from you would be very helpful. Bill Crockett, I believe, is with me in principle although he would prefer to see us wait until next year before going back for a special rupee appropriation similar to those of the USIS. However, I hope that he as well as John Rooney can be persuaded that this is a wasteful process. As long as this goes on we are not only losing many opportunities but look a little ridiculous in the bargain.

It is possible that we may begin to see some daylight on the Kashmir situation with the release of Sheikh Abdullah. However, it is a fragile situation which could easily get out of hand. Much, therefore, will depend on whether the

The Honorable
George Ball,
Under Secretary of State.

Pakistanis are willing to cooperate in creating a kind of atmosphere in which the necessary changes can take place.

The Military Assistance Program seems to be on the rails, following a very good talk I had with Bob McNamara.

Again, George, many thanks for your help. My warmest regards.

Sincerely,

Chester Bowles

DEPARTMENT OF STATE
ASSISTANT SECRETARY

124

3/27

Mr. Komer

Bob, here is the
memorandum for Ambassador
Bowles' visit.

- 1) We are still trying to
get DOT clearance
- 2) AID has not cleared
The first paragraph on
p. 3.

I am also sending
over a copy of the
Ambassador's schedule
of appointments

TKC

MAR 27 1964

124a

~~SECRET~~
STATUS REPORT OF ACTION ON
AMBASSADOR BOWLES' RECENT PROPOSALS

*Bowles
x India
India Prop*

1. MILITARY ASSISTANCE TO INDIA

a. Preemption of Soviet Assistance to Indian Air Force

Proposal: Ambassador Bowles believes that we should try to counter growing Soviet influence in the Indian Air Force by preempting Soviet rupee sales of additional surface-to-air missile complexes, MIG 21's, and MIG 21 manufacturing facilities to India. He now urges that for this purpose the U.S. and the U.K. offer to supply India with two squadrons of supersonic aircraft, and that the U.K. and the U.S. provide India a power plant and technical assistance for the Indian produced supersonic prototype, the HF-24.

Status of Action: Our approach has been to make sure the Indians are aware of the conditions under which they could fill their aircraft needs from Western sources over a period of time but to avoid an all-out preemptive effort if the costs are excessive and the prospects for success are slim. We are urgently studying with the British how we can fill the immediate interim Indian air defense requirement for all-weather fighters and India's long run requirement for all-weather supersonic interceptor aircraft. For the interim requirement the U.K. has informed us that its Javelin is not available; we are considering whether we might supply U.S. F-6A's which are becoming available from the Navy. We have discussed with the British the possible U.K. support in developing a power plant for the HF-24, possibly the Rolls Royce RB-153/61. The HF-24 might then meet India's long-term requirement for an all-weather, supersonic aircraft. The U.K. has this proposal under consideration. If the HF-24 does not work out, then we may have to find other means of meeting the Indian requirement for high performance aircraft. Even though Indian plans for MIG production appear to be

quite far

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*State Guidelines and
State Hr. 2-11-76 (4236)*

Authority

By *jc*

NARA, Date *8-27-03*

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GROUP 3

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not automatically declassified.

MAR 27 1964

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-2-

quite far advanced, we may in this manner be able to demonstrate to the Indians how they can meet both their short and long-term requirements from the West and enable them to defer or even drop their MIG production plans.

b. Defense Production

Proposal: Ambassador Bowles has informed us that the Indians give high priority to the development of their own factories for the production of arms and ammunition and he has recommended that we be responsive to Indian requests. If we are not, he explains, we will appear to the Indians to be backing away from our willingness to consider supporting a satisfactory Five-Year defense plan. Ambassador Bowles is likely to recommend we offer substantial defense production assistance.

Status of Action: We have already provided India with an ordnance plant for the production of 7.62 small arms ammunition. We agree with Ambassador Bowles that there are good reasons for our continuing to provide defense production assistance in accordance with certain criteria and that they probably outweigh the problems defense production will cause us with Pakistan. We should be selective, however, in the projects we support. We have developed the following specific criteria for the evaluation of specific Indian requests:

- (1) Legitimate military needs.
- (2) Capacity to manufacture economically (including managerial and technical capacity).
- (3) Prospects for long run foreign exchange savings and project's potential contribution to Indian economy.
- (4) Effect on U.S.-Pak relations.
- (5) Diversion of foreign exchange and technical skills from other essential uses.

We believe

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-3-

We believe we can effectively use our recently approved military sales program for India to make possible Indian development of defense production industries. Under this program we will be able to provide credit from U.S. Government sources, possibly including the Export-Import Bank for terms normally up to 5 years but with some flexibility up to 10 years for general purpose machine tools and other comparable items at interest rates up to 5½ per cent.

When L. K. Jha visited Washington in October 1963 he requested defense production assistance for the manufacture of 30mm and 120mm ammunition and also requested mechanical handling facilities. These requests were repeated by the Indians in January and again in March despite the fact that Jha had been told we did not produce 30 or 120mm ammunition and that prospects for providing even certain specific items of equipment were not good. As for handling equipment, Jha was told we did not have any surplus equipment but that the A.D. Little report and the Staley report should provide them with expert guidance in this field.

c. Defense Minister Chavan's Visit

Proposal: The Indian Defense Minister, Y. B. Chavan, will visit Washington in mid May, preceded by a group of officials. Ambassador Bowles has explained the political importance to Chavan that his visit be successful and has said it is in our interest that he return with the feeling his trip has been worthwhile.

Status of Action: We believe that the way we handle the Chavan visit can do much to assure the Government of India about our long-term military support to India after a period of uncertainty regarding our intentions. We will not be able to convey any firm assurances of our support to an Indian Five-Year military plan since we doubt that the plan will be sufficiently developed by the time of Chavan's visit. We believe, however, that we should have specific discussions with Chavan on our interim FY 1965 military assistance program so that he may take back something with him. We hope this may include some defense production assistance.

The future of Indian Ministers frequently depends upon their success or failure in Washington. Chavan is a friend, with a good political future. It is in our interest to help him.

d.

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-4-

d. Indian Military Plan

Proposal: As a result of Ambassador Bowles' and General Taylor's recommendations we have begun exploratory approaches to the Government of India looking toward possible Five-Year U.S. military assistance predicated on Indian development of the satisfactory defense plan. The Ministry of Defense has prepared a plan which has not, however, yet been reviewed by the Ministry of Finance and approved by the Government of India. Ambassador Bowles is likely to urge that the U.S. be responsive to Indian requests within this plan.

Status of Action: The Indian plan is a complex document and there will be a number of questions and clarifications we will want to ask the Government of India regarding it. We have not yet had an opportunity to make a thorough study of its implications and so believe we should reserve judgment on it for the present.

2. RUPEE SALES TO INDIA OF NON-FERROUS METALS FROM US STOCKPILE SURPLUSES

Proposal: Ambassador Bowles has emphasized that one of the major barriers to greater industrial production in India is the shortage of raw materials, especially non-ferrous metals. He recommends that the U.S. use its strategic stockpile surpluses to break this bottleneck and to create a surge of industrial output in India by instituting a program of sales to India for rupees of six non-ferrous metals believed to be surplus to our stockpile needs.

Status of Action: Interested Washington agencies have met to consider this proposal and Ambassador Bowles has been informed of the results of this meeting. The basic problem may be one of financing; prospects for rupee sales seem poor--the possibility of some sort of lend/lease arrangement or long-term credit is being explored. One promising course of action may be to develop a Free World defense program for making more effective use of our stockpiles in a limited number of countries. These would be countries where we have important political, economic and military interests at

stake,

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-5-

stake, in which we have substantial MAP allocations, and where such raw materials are required for defense production. Defense production data concerning the use of these six non-ferrous metals have been solicited from our Embassies in the various MAP countries and on the basis of very preliminary and sketchy information the office of Foreign Economic Affairs in Defense (ISA) has put together some tables showing the significance of the use of these non-ferrous metals in defense production in MAP countries. The crucial metal seems to be copper, which is the metal needed in the largest quantities and with respect to which there has never been more than a modest U.S. "surplus." DOD is now making inquiries to determine the availability of this metal for disposal overseas and whether it could be made available under existing legislation. (It may be that a recomputation of U.S. needs may reveal that there is no longer a copper "surplus.")

3. PAKISTAN: COMMUNAL PROBLEMS AND KASHMIR

Proposal: Ambassador Bowles wants us to use our influence to get Pakistan to "lay off" its policy of pressure on India, and in particular, to remain at least neutral in the Sino-Indian dispute and to stop agitating about Kashmir both in the Security Council and elsewhere. It is Ambassador Bowles' expectation that if there is a let-up of external pressure, the new Indian leaders will see the wisdom of moving toward greater autonomy for Kashmir and of eventually settling the issue with Pakistan on the basis of an autonomous Kashmir. Discussions between India and Pakistan could begin now on the refugee and communal disturbances, move on to India's policy of evicting Muslims from eastern India, and in time lead into an exploration of the Kashmir problem.

Status of Action: In conversations at all levels, and most recently in Mr. Talbot's encounter with President Ayub, we have sought to get across to Pakistan the futility of using pressure, particularly in combination with the Chinese Communists, to bring India to a settlement of the Kashmir dispute acceptable to Pakistan. President Ayub has flatly told us that the GOP does not agree with our assessment and it will not alter its policy of pressure on India.

Without

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-6-

Without departing from our traditional support for a negotiated settlement of Kashmir in line with the will of the people concerned, the U.S. opposed the GOP tactic of raising the Kashmir issue in the Security Council at this time, and took an impartial position in the tactical aspects of the Security Council consideration of this issue. We refrained from a lead role in the negotiations; we resisted Pakistan's efforts to get a resolution (which would probably have encountered a USSR veto) to beat India with, and supported a consensus formulated by the non-permanent members; supported India's request for adjournment of debate until May 5, as we had an earlier Pakistani request for adjournment in February.

Ever since the communal outbreaks began in January we have been urging bilateral talks on both parties. Again on March 24 Ambassador McConaughy told Pakistan Foreign Secretary Aziz Ahmed that we hoped for a positive Pakistan response to a March 20 letter from Nehru to Ayub proposing urgent talks by the Home Ministers of the two countries on communal and eviction issues. On March 23 Ayub replied agreeing to the talks and preparatory details are being worked out in Karachi with the Indian High Commissioner.

4. UTILIZATION OF U.S.-USES RUPEES (See attachment for more detailed account of this subject.)

Proposal: Ambassador Bowles has made several proposals for using a large share of the enormous quantities of rupees held in the U.S.-uses account. These include a more adequate financing of the Mission's administrative operations, expanding existing programs, and establishing some new ones, especially a major binational foundation.

Status of Action: Although no Budget Amendments or Supplementaries are to be sought for FY '64 and FY '65, the Department will press for a Congressional excess foreign currencies appropriation in FY '66 for improved administrative operations or expanded existing programs. Possible Congressional action on the foundation could be sought before the appropriation requests for FY '66. Several alternative possibilities for financing the foundation are discussed in the attachment.

Attachment:

Utilization of U.S.-Uses Rupees.

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124b

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Utilization of U.S.-Uses Rupees

At the end of 1963, the balances of rupees available for U.S. uses in India were the equivalent of \$331.0 million, comprising repayments of principal and payments of interest on our past development loans to India, the U.S.-uses portion of PL 480 proceeds, and interest on our rupee bank deposits in India. Current expenditures amount to less than half of new receipts and rupees are accumulating at a rate which may double our holdings by FY 1966 or FY 1967.

In working out such ways of using our rupee resources, Ambassador Bowles believes we should look for uses which 1) would not usurp Indian real economic resources already constructively programmed, 2) would not contribute to inflationary pressures, and 3) would involve little or no additional dollar expenditures by the United States.

Ambassador Bowles' Proposals

Ambassador Bowles has made a number of specific proposals which would permit a significantly greater expenditure of U.S.-uses rupees without any serious conflict with the limitations outlined above. The proposals fall into three categories: a) to strengthen U.S. administrative operations in India, b) to strengthen and supplement existing programs, and c) to finance new programs which will promote both U.S. and Indian interests in India.

a. Administrative Operations

Our administrative operations in India are severely restricted because the Mission has access only to the rupees which can be purchased with the limited allotments of dollars appropriated by Congress. If some of our large rupee holdings could be freed for use by the Mission, they could be used for increased local travel, to provide more adequate remuneration and possibly some fringe benefits for the Mission's physical plant and property, and for the construction of housing and office space.

b. Strengthening and Supplementing Existing Programs

Some of our successful programs in India suffer from inadequate financing and could usefully be expanded, but rupee expenditures of these programs are again based on dollar appropriations. Among these are USIS's low-cost book program, the Fulbright Program, and special project support for Peace Corps efforts.

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MAR 27 1964

c. New Programs

The three specific proposals made for new programs are: 1) the support or establishment of institutions to teach the English language in India, 2) the endowment of public libraries, and 3) the endowment of a Binational Educational and Cultural Foundation.

The proposed Foundation would be similar in organization and pattern of activities to the large American foundations. Some of the activities could be providing scholarships for outstanding students in India, strengthening selected educational institutions, making grants for improving textbooks, and supporting existing American institutions. The library construction and English language programs could also be associated with and financed by the Foundation. This is not an exclusive list--other programs could be devised which would be useful in promoting U.S. interests in India and which would be within the limitations outlined above in paragraph 2.

Access to the Rupees

Ambassador Bowles suggested that maximum use be made of the President's authority to waive the appropriation requirement in order to make the U.S.-uses rupees available for the programs he has proposed. In reply to a letter from the Ambassador, Kermit Gordon said that he did not think that the waiver authority offered a solution to the problem because among other reasons, of Section 702 of the 1964 Appropriation Act for the Departments of State, Justice, Commerce, the Judiciary and Related Agencies which says that no appropriation shall be used to administer a program funded from foreign currencies for which a specific dollar appropriation has not been made. He suggested that a better access route to the rupees is to ask Congress for special foreign currency appropriations and that if a budget amendment were proposed by the Department of State, he would recommend to the President that he transmit the amendment to Congress.

Other possible approaches to making additional rupees available might be 1) the addition of another subsection to section 104 of PL 480 which would permit a broader use of U.S.-uses rupees for development purposes, and 2) amending all existing PL 480 agreements to reduce the percentages reserved for U.S.-uses and minimizing those percentages in future agreements.

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- 3 -

Status of Proposals

The Department has decided, after testing Congressional attitudes, not to seek any 1964 Supplementals or 1965 Amendments at this time but rather to submit requests for special foreign currency appropriations and vigorously to support the expanded use of excess foreign currencies in FY 1966. With the possible exception of the binational foundation, this puts off any implementation of the proposals for more than a year. Alternative financing arrangements for the foundation are discussed below. The Ambassador's proposals are at various stages of consideration by the agencies concerned.

a. Administrative Operations

There is general agreement among the agencies that a way should be found to make some of the U.S.-uses rupees available for administrative operations. The way most likely to succeed seems to be to seek a special excess foreign currencies authorization from Congress for FY 1966. The Bureau of the Budget has indicated that it would favorably consider proposals for the use of rupees which did not have high enough priority for dollar appropriations and believes that Congress would take much the same attitude.

b. Strengthening and Supplementing Existing Programs

USIA has reservations about expanding the low-cost book program in India. There is already fairly large unexpended balance of rupees allocated to the program, indicating that more rupees would not alone be enough greatly to increase its size. Nor does there seem to be a real shortage of rupees now for student travel. If 300 more students were to be sent from India, it would be extremely difficult to find scholarships or other ways of paying for their expenses here even if all efforts now being made for foreign students were confined to Indian students alone. The Peace Corps might be able to use some small quantities of rupees, but does not wish to contribute much capital input in its programs. The Peace Corps' policy is to have local currency program costs paid by the host country to insure real and continuing interest. Possibly if the rupees could be converted to country-uses funds, the Peace Corps could use some, since it would mean that the establishment of priorities would still be up to the host government.

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- 4 -

c. New Programs

Prospects seem more favorable for the new program suggested. AID believes that we should begin now to solicit the approval of Congress for the eventual establishment of a binational foundation. David Bell has already floated a trial balloon before the House Committee on Agriculture which survived the flight. AID would see the foundation's financing a variety of activities rather than diffuse our efforts among a series of smaller separate projects. The Department is enthusiastic about the expansion of English language teaching and, although not prepared to ask for a Supplementary for FY 1965, would be happy to see the program included as one of the binational foundation's projects. The foundation would be a major effort indeed and careful planning would be essential, with later consultation with the GOI before much publicity is given to the idea. AID has done some preliminary ~~thinking~~ and planning, and is preparing to give the concept shape as soon as possible.

Alternative Possibilities for Financing the Foundation

Several alternatives could be considered for financing the foundation. Ambassador Bowles has proposed the transfer of Rs 1000 million (\$200 million) to the proposed foundation as a capital fund to produce an annual income of Rs 50 million (\$10 million) of which the foundation would operate. The capital fund would be invested in blue-chip and special GOI securities. As a fallback alternative, the Ambassador proposes setting aside some Rs 1000 million to be drawn upon each year for the foundation's operations. Annual withdrawals of Rs 50 million would give the foundation a first life of 22-25 years, which would be renewed as more rupees accumulate.

Two other possibilities have been suggested which appear to have certain advantages;

1) The Rs 1 billion could be made available for a limited term to the foundation at no interest by something short of an outright grant, with the possibility of renewal upon expiration. The foundation would invest the capital and operate on the interest.

2) Existing PL-480 agreements with India could be revised to transfer a maximum amount of rupees to country-use accounts. In the past, the amounts reserved for US-uses have been above the minimum legal requirements. The difference could be made available as a capital fund for the foundation and new PL-480 agreements could provide for additional capital contributions.

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Consideration is being given to the concept of the foundation as an institution not so much cultural as developmental. Given this slant, the idea of the foundation might be more readily promoted both in the U.S. and in India. Also, although it could still have a clear U.S. stamp on it (be named, for example, the Kennedy Indo-American Foundation), it could be given the appearance of primarily an Indian institution. If the capital fund were not created as an outright grant and the U.S. retained ultimate control over it, operational control over the foundation could more acceptably be entrusted to the Indian directors, although with continuing U.S. advice. This arrangement would mitigate the impression of a large U.S.-controlled organization deeply involved in Indian education and cultural life.

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OUTGOING TELEGRAM Department of State

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ACTION: Amembassy NEW DELHI / 880 PRIORITY

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- ALEXANDER
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- SALINGER
- SANDERS
- SMITH, WM. Y

Brooks

LIMDIS

FOR AMBASSADOR FROM THE SECRETARY

Embtel 2679

I agree there is much for us to discuss about our policies in your part of the world and this seems good time for us to get together. We all look forward to seeing you ~~at~~ about March 28 and the week thereafter.

GP-3.

End

RUSK

DECLASSIFIED
E.O. 12958, Sec. 3.5
State Dept. Guidelines
By *jc*, NARA, Date *8-27-03*

Drafted by:
NEA:SOA:DTSchneider:fah:3/16/64

Telegraphic transmission and classification approved by:
NEA - James F. Grant

Clearances:
~~XXXXXXXXXXXX~~
SOA - Mr. Cameron

s/s - Mr. Baldwin
s - Mr. Knepper

MAR 17 1964

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INCOMING TELEGRAM *Department of State*

126

BUNDY-SMITH
BELL
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Control: 8887
Rec'd: March 12, 1964
10:24 a.m.

Action

NEA
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FROM: New Delhi
ACTION: Secstate 2679
DATE: March 12, 8 p.m.

Bowles

FOR SECRETARY FROM AMBASSADOR

I am anxious to return briefly to Washington to discuss with President (whom I have not seen since he took office), you and others current matters in our relations with this part of the world. Because of the influx of important visitors here in early April, much the best schedule for me would be to leave Delhi March 26, stopping a day in London at the end of the military talks, and arrival in Washington March 28. I would plan to stay no more than a week.

GP-3

BOWLES

WHC

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E.O. 12958, Sec. 3.5
State Dept. Guidelines
By *jc*, NARA, Date 8-27-03

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MAR 13 1964

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TO WHITE HOUSE INTERNATIONAL SITUATION ROOM

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Bowles

Komer

~~CONFIDENTIAL~~

[REDACTED]

PLEASE PASS THE FOLLOWING TO THE WHITE HOUSE FOR BUNDY FROM
BOWLES.

~~CONFIDENTIAL~~

"FOR BUNDY FROM BOWLES.

DEEPLY APPRECIATE YOUR PROMPT CABLE. HOWEVER, UNLESS THERE
IS SOME REALLY OVERRIDING REASON WHY I SHOULD NOT RETURN IN NEAR
FUTURE FOR WEEK IN WASHINGTON I STILL BELIEVENV SHOULD COME.

LET ME EMPHASIZE THAT MYNKURPOSE IS NOT TO REAFFIRM MY OWN
VIEWS WHICH BY NOW ARE WELL KNOWN BUT RATHER TO GET BETTER IDEA
OF WHAT PEOPLE IN WASHINGTON ARE PLANNING, SAYING AND THINKING.

I THINK IT PARTICULARLY IMPORTANT THAT I SHOULD SOON TALK
TO PRESIDENT. I HAVE KNOWN HIM FOR TWENTY YEARS AND HAVE DEEP
RESPECT FOR HIS ABILITIES AND ADMIRATION FOR REMARKABLE START HE
HAS MADE. HOWEVER I HAVE ALMOST NO INKLING OF HOW HE PERSONALLY
LOOKS AT SOUTH ASIA OR MY OWN RELATIONSHIP TO IT.

THE UNCERTAINTIES IN MY MIND ARE UNDERScoreD BY FACT THAT THE
NEW ADMINISTRATION IS NOW FACING SOME CRITICAL DECISIONS IN REGARD
TO MILITARY ASSISTANCE TO INDIA (WHICH I BELIEVE IS MUCH MORE
OF POLITICAL QUESTION THAN MILITARY ONE), IMPORTANCE OF GROWING
SOVIET INTRUSION INTO VARIOUS ASPECTS OF INDIAN MILITARY, ECONOMIC
AND POLITICAL SCENE, THE FUTURE OF THE ECONOMIC DEVELOPMENT PROGRAM
WITH WHICH I HAVE BEEN SO CLOSELY RELATED FOR YEARS AND SITUATION

TO SOUTHEAST ASIA WHICH WILL PROFOUNDLY AFFECT WHAT HAPPENS

By ok
NARA, Date 9-4-13
EO. 13526, Sec. 3.5
12-844

WITH WHICH I HAVE BEEN SO CLOSELY RELATED FOR YEARS AND SITUATION
IN REGARD TO SOUTHEAST ASIA WHICH WILL PROFOUNDLY AFFECT WHAT HAPPENS
HERE IN INDIA.

MORE THAN THAT I WOULD LIKE TO TALK PERSONALLY TO MY
FRIENDS ON CAPITOL HILL ABOUT MARKED ACHIEVEMENTS OF U.S. AID
PROGRAM IN INDIA, AND ABOUT PROPOSED NEW BINATIONAL FOUNDATION
WHICH OFFERS US SUCH A DRAMATIC OPPORTUNITY HERE AND WHICH I AM
HOPEFUL WE CAN PERSUADE CONGRESS TO HANDLE AT THIS SESSION.

ALTHOUGH I AM ANXIOUS THAT MY VISIT SHOULD BE BRIEF I HONESTLY
BELIEVE THAT IF I AM TO BE EFFECTIVE AMB TO INDIA IT IS NECESSARY
FOR ME TO KNOW MUCH MORE ABOUT WHAT IS BEING DISCUSSED AND PLANNED
IN WASHINGTON UNDER NEW ADMINISTRATION THAN I KNOW AT PRESENT.
AS YOU REMARKED TO ME WHEN I LEFT LAST JUNE TEN THOUSAND MILES
CREATES A FORMIDABLE COMMUNICATIONS BARRIER PARTICULARLY WHEN
PROBLEMS ARE SO COMPLEX, STAKES ARE SO MAJOR, AND A NEW PRESIDENT
HAS RECENTLY TAKEN OVER.

IN REGARD TO POSSIBILITY OF POSTPONING MY VISIT I HAVE
SERIES OF IMPORTANT VISITORS COMING TO INDIA BETWEEN APR 5 AND
MAY 1 AND I DO NOT FEEL IT WOULD SATISFY MY NEED IF WE POSTPONED
VISIT UNTIL JUNE WHEN I WILL BE HOME FOR TWO-THREE WEEK STAY.
BY THAT TIME I WILL BE EVEN FURTHER OUT OF TOUCH WITH WHAT IS GOING
ON, AND THE PRESIDENT WILL BE EVEN MORE FOCUSSED ON THE IMPORTANT
TASK OF GETTING REELECTED.

I THINK IT IS IMPORTANT THAT I KNOW THE FULL SCORE AND I AM
HOPEFUL THAT YOU AND PRESIDENT WILL UNDERSTAND NEED FOR THIS.

~~CONFIDENTIAL~~

BOWLES

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Richard Komer

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1964 MAR 10 14 39

[REDACTED]
TO WHITE HOUSE INTERNATIONAL SITUATION ROOM

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~~SECRET~~

[REDACTED]

Bowles
Komer
36577

"FOR BUNDY AND KOMER FROM BOWLES

I DO NOT BELIEVE THAT YESTERDAY'S CABLE ON KASHMIR OR THE CABLE I AM SENDING THIS AFTERNOON IN REGARD TO SOVIET MILITARY AID OVERSTATE IMPORTANCE OF WATERSHED WE MAY BE APPROACHING IN OUR RELATIONS WITH SUBCONTINENT, PARTICULARLY WHEN WE VIEW SUB-CONTINENT AGAINST BACKGROUND OF DETERIORATING POLITICAL AND MILITARY SITUATION IN SOUTHEAST ASIA.

SINCE REFERENCES TO OUR HANDLING OF PAKISTAN BY US AMB TO INDIA THROUGH NORMAL COMMUNICATION MEANS MAY BE MISUNDERSTOOD, I AM SENDING THESE SUPPLEMENTARY SUGGESTIONS TO YOU [REDACTED]

[REDACTED] ON A STRICTLY OFF THE RECORD BASIS.

TALBOT WILL BE IN KARACHI AND RAWALPINDI TONIGHT, WED AND THURS. HE ARRIVES THERE AT CRITICAL MOMENT AND I BELIEVE WE SHOULD TAKE ADVANTAGE OF HIS VISIT FOR THE PRIVATE SHOWDOWN TALK WHICH I HAVE BEEN ADVOCATING SINCE MY REPORT ON SOUTH ASIA TO PRES. KENNEDY IN LATE MARCH 1962. I SUGGEST FOLLOWING LINE OF PRESENTATION:

1. US DOES NOT DENY PAKISTAN'S RIGHT TO GO DIRECTLY TO SC ON ANY SITUATION WHICH IN HER OPINION WARRANTS SUCH ACTION. HOWEVER TO RETURN KASHMIR DISPUTE TO SC AT THIS TIME IS TOTALLY FUTILE EXERCISE WHICH WILL OPEN GOP TO SUSPICION THAT IT IS MORE INTERESTED IN DISTRACTING INDIA'S ATTENTION FROM CHINA THAN IN SOLVING COSTLY IMPASSE BETWEEN PAKISTAN AND INDIA.

SANITIZED
E.O. 13526, Sec. 3.5

NLJ 12-244

By Ch NARA, Date 9-4-13

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2. WE ARE KEENLY AWARE THAT INDIA HAS BEEN STUBBORN, INSENSITIVE AND ARROGANT IN HANDLING THE KASHMIR ISSUE OVER PERIODS OF YEARS. HOWEVER NEW POLITICAL SITUATION IS DEVELOPING IN INDIA WHICH UNDER RIGHT CONDITIONS OFFERS FAR MORE FAVORABLE PROSPECT. NEHRU, WHO HAS BEEN PRIMARY BLOCK TO AN AGREEMENT BETWEEN THE TWO COUNTRIES SINCE 1948, IS NOW RAPIDLY WITHDRAWING FROM PUBLIC SCENE. THE NEW FORCES COMING ON STAGE WITH THEIR STRONG ROOTS IN SOUTH INDIA ARE MUCH MORE FLEXIBLE IN REGARD TO KASHMIR AND WE BELIEVE GENUINELY RECOGNIZE NEED FOR SETTLEMENT.

3. IF PAKISTAN GOVT IS SERIOUSLY ANXIOUS TO IMPROVE ITS RELATIONS WITH INDIA, WHICH WE BELIEVE TO BE THE CASE, THESE NEW FORCES MUST NOW BE GIVEN OPPORTUNITY TO FUNCTION. IF SUCH AN OPPORTUNITY IS NOT FORTHCOMING RESULT WILL BE GREATLY INCREASED BITTERNESS BETWEEN TWO NATIONS, STRENGTHENING OF AGGRESSIVE, RECKLESS KRISHNA MENON-COMMUNIST AXIS IN INDIA, AND SHARP REDUCTION OF CAPACITY OF THE SHASTRI, TTKRISHNAMACHARI, KAMARAJ, RADHAKRISHNAN GROUP TO SHAPE INDIAN POLICIES ALONG THE MORE FAVORABLE AND AFFIRMATIVE LINES WHICH WE BOTH SEEK.

4. THEREFORE WE URGE PAK GOVT PROMPTLY TO ACCEPT WHAT WE BELIEVE TO BE GENUINE INDIAN PROPOSAL OF CONSULTATION IN REGARD TO COMMUNAL DIFFERENCES, REFUGEES, MUSLIMS WHO HAVE MOVED INTO TRIPURA AND ASSAM, ETC. WITH CLEAR UNDERSTANDING THAT ONCE THESE ISSUES HAVE BEEN DEALT WITH AFFIRMATIVELY DISCUSSIONS WOULD MOVE ON THROUGH SECRET DIPLOMACY, OR WITH A MEDIATOR, OR OTHERWISE TO BASIC QUESTION OF KASHMIR AND INDIA-PAKISTAN RELATIONS. IF PAKISTANIS ARE CORRECT THAT INDIANS ARE IN FACT NOT SERIOUS ABOUT SETTLING THESE DISPUTES NEGATIVE INDIAN ATTITUDES WILL SOON BECOME EVIDENT TO THE WHOLE WORLD. IF ON THE OTHER HAND THE NEW INDIAN LEADERSHIP GROUP IS SINCERELY ANXIOUS TO FIND SOME BASIS FOR ADJUSTMENT DOOR WILL BE OPEN TO STEP BY STEP PROGRESS TOWARDS SETTLEMENT.

5. IF PAK GOVT IN FACE OF THIS OPPORTUNITY DISREGARDS OUR ADVICE AND AGAIN PLUNGES THIS ALREADY EMBITTERED ^{ISSUE INTO} ~~ISSUES~~, 59, USG CAN TAKE NO RESPONSIBILITY WHATSOEVER FOR ULTIMATE OUTCOME. WHILE RESOLUTIONS WE HAVE FAVORED IN PAST HAVE PROVIDED FOR PLEBISCITE OR SOME OTHER MEANS OF DETERMINING WISHES OF PEOPLE OF VALLEY, THIS PROCESS OF DETERMINATION WAS REDICATED (1) ON DEPARTURE OF PAK TROOPS FROM AZAD-KASHMIR TOGETHER WITH NORTHWEST FRONTIER TRIBESMEN AND (2) SUBSEQUENT TO THIS WITHDRAWAL, ON INDIANS WITHDRAWING BULK OF THEIR ARMY FROM KASHMIR. UNDER PRESENT CIRCUMSTANCES THESE TWO PRELIMINARY ACTIONS ARE WHOLLY UNREALISTIC. MOREOVER EVEN THOUGH THEY WERE ATTAINABLE THEY WOULD SERVE NEITHER OUR INTERESTS NOR THOSE OF PAKISTANIS SINCE COMMUNIST CHINA WOULD ALMOST CERTAINLY FILL KASHMIR VACUUM. SOME NEW SOLUTIONS, SATISFYING TO BOTH NATIONS, THEREFORE MUST BE FOUND.

6. MAY WE ADD THAT MANY AMERICANS ARE CONCERNED ABOUT PRESISTENT RUMORS OF CHINESE-PAK AGREEMENT TO COORDINATE THEIR POLITICAL AND MILITARY POLICIES; U.S. AID GIVEN UNDER MUTUAL SECURITY ACT IS LEGALLY EARMARKED FOR CONTAINMENT OF COMMUNISM. SUCH CONTAINMENT IS POSSIBLE, IN OUR OPINION, ONLY IF BOTH PAKISTAN AND INDIA ARE ECONOMICALLY VIABLE, ADEQUATELY ARMED AND READY AND WILLING TO JOIN DEFENSE OF SUBCONTINENT AGAINST CHINA WHICH IS THE PRIMARY ENEMY OF BOTH NATIONS. THIS IS THE OBJECTIVE OF THE U.S. GOVERNMENT AND WE EXPECT BOTH NATIONS TO START MOVING IN THIS DIRECTION.

IF A PRESENTATION TO PAKS ALONG THESE LINES IS MADE VIGOROUSLY, CALMLY AND CLEARLY WITH NO REPEAT NO NOTEKEEPERS PRESENT, I BELIEVE THERE IS MUCH BETTER THAN EVEN CHANCE THAT IT WILL BE SUCCESSFUL, THAT SC CONFRONTATION MAY BE AVOIDED OR AT LEAST POSTPONED, THAT SERIOUS NEGOTIATIONS MAY BE BEGUN AND THAT WITH CONTINUED TACTFUL BUT FIRM HANDLING BY GENUINE FRIENDS OF BOTH INDIA AND PAKISTAN WE MAY MOVE INTO ATMOSPHERE MUCH MORE FAVORABLE TO SETTLEMENT OF EXISTING ISSUES.

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IF WE FAIL TO TAKE FORTHRIGHT STAND AT THIS CRITICAL POINT I AM FEARFUL THAT WE MAY INCREASINGLY LOSE OUR CAPACITY TO INFLUENCE EVENTS IN SUBCONTINENT IN ANY SIGNIFICANT WAY. LONG BEFORE COMMUNIST ATKEOVER IN CHINA THE USG BY ITS UNWILLINGNESS TO TAKE ON RELATIVELY MANAGEABLE ALTHOUGH ADMITTEDLY DIFFICULT POLITICAL ISSUES, HAD LOST ITS CAPACITY TO INFLUENCE THE FINAL OUTCOME. WE MUST AVOID A REPEAT PERFORMANCE IN THE SUBCONTINENT.

IN ADVOCATING A FORTHRIGHT U.S. POSITION IN REGARD TO PAKISTAN MAY I REAFFIRM MY OWN WILLINGNESS TO TAKE AN EQUALLY TOUGH STANCE HERE IN INDIA WHEN THE SITUATION REQUIRES IT--STARTING FOR INSTANCE WITH THE PROPOSED RUSSIAN-BUILT MIG'S WHICH ARE WHOLLY CONTRARY TO THE PAKS' INTERESTS AS WELL AS OUR OWN.

~~SECRET~~



BOWLES"

GP1

3000

MAR 10 1963

PRESERVATION COPY

R. L. Komer

129

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1964 MAR 9 23 56

HAVE MSG FOR SUPVR HANDLING ONLY

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FM THE WHITE HOUSE WASHDC

Bowles

TO AMEMB NEW DELHI

EXEC

BT

~~SECRET~~

EYES ONLY

~~R E C R E T~~ EYES ONLY CITE CAP64069. EYES ONLY FOR
AMBASSADOR BOWLES FROM MCGEORGE BUNDY WHITE HOUSE.

JUST WROTE YOU LONG LETTER WHICH MUST HAVE CROSSED
YOUR CABLE. WE'VE TALKED WITH PRESIDENT, WHO ALWAYS HAPPY
TO SEE YOU BUT INCLINED TO THINK IT MORE IMPORTANT YOU
BE JOHNNY-ON-THE SPOT DURING THESE TRYING DAYS IN DELHI.

KOMER AND I FEEL STRONGLY THAT PERSONALLY CONVINCING
PRESIDENT AND OTHERS OF MERITS YOUR CASE IS THE LESSER
PROBLEM. YOUR ELOQUENT CABLES HAVE MORE THAN SERVED HERE.
BUT WE DO NOT SEE ANY FAR-REACHING DECISIONS ON KASHMIR,

DECLASSIFIED
E.O. 12958, Sec. 3.5
NSC Memo, 1/30/95, State Dept. Guidelines
By *jk*, NARA, Date 8-27-03

PRESERVATION COPY

PAGE 2 ESF 2 ~~SECRET~~ EYES ONLY

AID TO INDIA, OR PRE-EMPTING SOVIETS BEING MADE QUITE YET,
AND FRANKLY DOUBT WHETHER YOUR RETURN JUST NOW WOULD PROVE
ESPECIALLY SATISFYING. BETTER TO WAIT UNTIL THINGS GET
FURTHER SORTED OUT HERE. PREFERABLE TIMING MIGHT BE JUST
BEFORE TTK COMES.

HATE TO REPLY IN SUCH DISAPPOINTING FASHION, AND YOUR
JUDGMENT SHOULD BE CONTROLLING. BUT WHEN ALL IS SAID AND
DONE I THINK YOU REALIZE THAT THIS IS NOT YET A TIME FOR
MAJOR NEW MOVEMENT FORWARD, WHEN MANY OTHER PROBLEMS
NECESSARILY TAKE PRECEDENCE IN AN ELECTION YEAR

BT

~~SECRET~~

EYES ONLY

10 1964

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Return Komer

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[Redacted]

TO WHITE HOUSE INTERNATIONAL SITUATION ROOM

BT

~~TOP SECRET~~

EYES ONLY

Bowles

~~TOP SECRET~~

[Redacted]

EYES ONLY FOR MCGEORGE BUNDY AND KOMER

I BLEIEVE IT IS TIME THAT I RETURNED FOR BRIEF VISIT TO WASHINGTON. I AM PARTICULARLY ANXIOUS TO TALK TO PRESIDENT, TO HEAR HIS VIEWS ON THIS PART OF WORLD AND TO OFFER HIM MY OWN INTERPRETATION OF AN AREA IN WHICH I HAVE BEEN DEEPLY INVOLVED FOR LAST FIFTEEN YEARS.

I WOULD ALSO LIKE OPPORTUNITY TO TALK TO MCNAMARA AND THE NEW PEOPLE WHO HAVE MOVED INTO MILITARY ASSISTANCE WORK IN PENTAGON.

SINCE I AM COMING BACK TO US FOR THREE WEEKS IN JUNE AND SINCE THERE IS GREAT DEAL GOING ON HERE, THIS SHOULD BE BRIEF TRIP IN WHICH DEBRIEFINGS ARE ELIMINATEDSO THAT WE CAN CONCENTRATE ON MAJOR POLITICAL, MILITARY, ECONOMIC AND ADMINISTRATIVE QUESTIONS WHICH INVOLVE US HERE IN INDIA.

MUCH BEST TIMING FOR ME WOULD BE TO LEAVE DELHI ON WEEKEND OF MAR 21, STAY ONE WEEK IN WASHINGTON AND RETURN HERE BEFORE APRIL1.

BEST WAY WOULD BE DIRECT INVITATION FROM PRESIDENT; OTHERWISE I CAN CABLE DIRECTLY TO SECRETARY.

WOULD APPRECIATE YOUR ADVICE AND HELP SOONEST.

BOWLES

GP1

1200Z

~~TOP SECRET~~

[Redacted]

EYES ONLY

MAR 9 1964

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SANITIZED
E.O. 13526, Sec. 3.5
NLJ 12-244
By ch NARA, Date 9-4-13

PRESERVATION COPY

~~SECRET~~

March 9, 1964

Mr. Komer

*file in my
letter*

Bowles

131

Dear Chet:

We here have reacted with lively sympathy to your paeans of woe from Delhi, and have been doing all we can to help.

For what it's worth, my feeling (and Bob Komer's, too) is that we're the victims of an inevitable falling off in US/Indian relations from the high point of Winter 1962. There's no use blaming ourselves unduly that neither Washington nor Delhi can sustain the high pitch of collaboration which emerged from the Chicom attack. We've had trouble on our side sustaining the momentum of our relationship, but the Indian slate is by no means clean either. VOA was a fiasco, Bokaro failed at least partly because of Indian stickiness, and Delhi's handling of its military program has been so tediously slow as to damp much of our enthusiasm here. These are facts with which we must live.

As I see it, we're also going through the painful transition of disengaging from the out and out pro-Pak policy of the 1950's, and shifting to one more consonant with our real strategic interests. This is not an easy process at best, and I must say that neither our Pak nor our Indian friends make it any easier.

Of one thing you may be sure -- the President too sees your problem with lively sympathy. His actions to date should lay to rest any unfounded Indian (or Pak) suspicions that he sees matters differently from his predecessor, and I may add that he is annoyed by these suspicions. His authorization of five-year MAP approaches (which marks much more of a departure in the case of India than in that of Pakistan) is ample evidence of his position.

But you in turn will understand that the struggle over AID is critical here. The President cannot expose his flank right now by promising amounts on which he may be unable to perform. I'm sure you realize this. And I know from what he's said that he counts on you to get this across in Delhi as no one else really could.

~~SECRET~~

(page 1 of 2 pages)

DECLASSIFIED

Authority ERUS 04 68 MR 25 424

By jc, NARA. Date 8-27-03

MAR 9 1964

~~SECRET~~

-2-

March 9, 1964

On top of all this, we have an election year; the moratorium on politics is over, and we're going to have to steel ourselves for a lot of silly fuss. So if we're a little slow in answering your mail or in responding to your counsel, bear with us. Once every four years Washington is on the firing line and we're going to have to get through November before we can turn as fully to our foreign concerns as our far-flung viceroys would like. So be of good cheer.

Sincerely,

15/ 9
McGeorge Bundy
4
4

The Honorable Chester Bowles
American Ambassador
New Delhi

~~SECRET~~

(page 2 of 2 pages)

Komer -
MR. BUNDY

Draft reply for
Mr G B, please
GB

132a

The COOPERATIVE LEAGUE of the USA

a national federation of cooperatives

Jerry Voorhis, executive director

Chicago, Illinois

Doan
2/25/64

February 24, 1964

The President
The White House
Washington, D. C.

THE WHITE HOUSE:
FEB 25 12 48 PM '64
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Bowles

Dear Mr. President:

First, let me say that I was last fall in India, that my wife and I were invited by Ambassador Bowles to stay at the U. S. Embassy, and that in the time we spent in India and saw Ambassador Bowles in operation, I became convinced that no one could possibly do a more effective job in representation of our country than he is doing right now in the vast country of India.

The Ambassador has written me at some length about the problem which is faced by him in India at present due to the tremendous accumulation of rupee reserves in the hands of the United States in that country.

I understand further that the Ambassador has recently communicated with your office concerning this matter. The problem appears to be the restriction on the use of the rupees in this reserve unless Congress specifically appropriates a corresponding dollar amount to authorize such use.

It is my understanding, however, that the President himself has discretionary authority in this matter and could free some of these rupees for direct use in some of the ways which the Ambassador has so ably set forth. I am writing to appeal as earnestly as I can that you take steps to do this. I doubt that there is any country in the world where our country has a greater opportunity to cement ties of firm and lasting friendship and commitment to the cause of freedom than we have in India. I need hardly point out that it is by far the largest of the so-called uncommitted nations in the whole world.

With a further expression of my unlimited admiration for the tremendously effective and devoted job you are doing as President of our country, I am

Sincerely yours,
Jerry Voorhis
Jerry Voorhis
Executive Director

JV:em

cc: Mr. David E. Bell, Administrator
Agency for International Development

cc: Honorable Chester Bowles

3/2/64

GENERAL OFFICES: 59 East Van Buren Street, Chicago 5, Illinois 922-0667
Murray D. Lincoln, president • J. W. Koski, chairman of the board • Harold Hamil, vice-president

PRESERVATION COPY

133

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON 25, D.C.

OFFICE OF
THE DIRECTOR

February 18, 1964

Honorable Chester Bowles
American Ambassador
New Delhi, India

Bowles
X India
(see papers)

Dear Chet:

My apologies for my tardiness in replying to your letters of December 12 and February 4 relating to the use of excess Indian rupees. I am just beginning to dig my way out of the accumulation of letters and memoranda which piled up unanswered during the climactic weeks of the 1965 budget season.

I fully agree that our holdings of excess currencies should be available to support important programs and activities determined by the U. S. Ambassador and the Secretary of State to be important to U. S. interests in the countries affected. I was disturbed by the situation described in your letters, and have looked into our present policies concerning control and use of excess currencies.

My examination turned up the following findings which are relevant to your present problem:

1. At the request of the Bureau, the Congress has agreed to create "special foreign currency program" accounts to make available excess foreign currencies to Government agencies. Appropriations to these accounts do not affect total appropriations one way or the other, since a dollar appropriated to buy excess currencies from the Commodity Credit Corporation means one dollar less need be appropriated to reimburse CCC for P.L. 480 costs.

2. Bureau Circular A-20 (copy enclosed) makes clear that the Bureau will apply less severe standards in the evaluation of requests for special foreign currency appropriations than for dollar appropriations. It has in fact been normal Bureau practice to approve requests for special foreign currency appropriations, and such requests have consistently been approved by the Congress.

FEB 19 1964

3. Despite this record of favorable appropriations action, the foreign affairs agencies have not displayed great eagerness to acquire excess currencies for the expansion of their programs. This is undoubtedly attributable in part to the fact that excess currency expenditures often involve a dollar component which the agencies find it difficult to finance out of their regular appropriations.

4. In Circular A-20, the Bureau acted to limit sharply the circumstances under which it would exercise the waiver authority conferred in Section 104 of P. L. 480. Whether or not this was a wise decision (and I think, all things considered, it probably was), it has little bearing on the present situation. The waiver authority with regard to State Department funds is virtually nullified by Section 702 of the 1964 Appropriation Act for the Departments of State, Justice, Commerce, the Judiciary, and Related Agencies:

"No part of any appropriation contained in this Act shall be used to administer any program which is funded in whole or in part from foreign currencies or credits for which a specific dollar appropriation therefor has not been made."

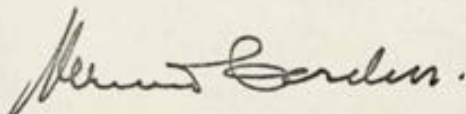
These considerations lead me to conclude that the waiver authority does not offer a solution to your problem, nor is there a tenable basis in the consistently favorable record of Congressional action on special foreign currency requests for a proposal that excess currencies be made available without Congressional appropriation. Instead, there seems to me every reason to move in the established channels for the expansion of programs to be financed with excess currencies.

Accordingly, I have suggested to Bill Crockett that the State Department may wish to review the program expansions proposed in your Airgram of February 4 and to embody its recommendations in a proposal for a budget amendment. If a persuasive case is made for the proposals, I can assure you that I will recommend to the President that he transmit the amendment to the Congress. The Congress may be willing to make these funds available for use in the present fiscal year -- assuming that the regular appropriation bill is passed before July 1.

I think that this is the best way to move toward more sensible use of excess currencies, and I hope that you agree.

With very best regards,

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Kermit Gordon".

Kermit Gordon
Director

Enclosure

133a

EXECUTIVE OFFICE OF THE PRESIDENT

BUREAU OF THE BUDGET

WASHINGTON 25, D. C.

September 10, 1962

CIRCULAR NO. A-20
Revised

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: System of control over the use of foreign currencies

1. Purpose. This Circular sets forth a system of control over the use of foreign currencies received by the United States without payment of dollars. It applies to all such foreign currencies, and supersedes Circular No. A-20 of May 12, 1961, relating to the use of foreign currencies received under the Agricultural Trade Development and Assistance Act of 1954, as amended (hereafter referred to as "Public Law 480"). Executive Order 11036, dated July 11, 1962, amending Executive Order 10900, dated January 5, 1961, makes Public Law 480 currencies available generally in accordance with the terms of the agreements, and determinations by the Director of the Bureau of the Budget are necessary only in limited circumstances.

2. Definitions. The following definitions apply to the terms used in this Circular:

"Country-use" currencies are those which are required under the terms of the international agreement under which they are received to be used only for loans and grants for economic development or the common defense in foreign countries, including loans to private enterprise, or where a determination has been made by the Director of the Bureau of the Budget that excess currencies be used for these purposes.

"U.S.-use" currencies are those which are available for the payment of U.S. obligations and U.S. agency programs.

Excess currencies are the currencies of those countries in which the Treasury Department has determined that the supply of currencies, from all sources, owned by the United States for U.S. use is excess to its normal requirements.

Non-excess currencies are those of all other countries.

3. Relation to international agreements. The Secretary of State is generally responsible for the negotiation of international agreements, and has been specifically delegated the function of negotiating and entering into international agreements under Public Law 480. With respect to those agreements, proposed terms to be negotiated by the Department of State are developed by an interagency staff committee,

(No. A-20)

FEB 19 1964

chaired by the Department of Agriculture. Public Law 480 sales agreements specify the portion of total sales proceeds to be available for U.S. uses and for country uses. The present policy is to avoid any restrictions (formal or informal) on currencies available for U.S. uses.

4. Policies with respect to U.S. uses. As a general rule, foreign currencies will be made available for U.S. uses only through sales to appropriations. Non-excess currencies, whether received directly or through conversion from excess currencies, will be available only when purchased with regular agency appropriations and funds, and the use of such currencies will be subject to the normal budgetary and appropriation criteria. These appropriations and funds may be used to purchase foreign currencies from any source, including purchase through banking channels if the currencies are not available from the Treasury.

In order to promote the utilization of excess foreign currencies, lower priority programs may be financed through separate "special foreign currency program" appropriations which will be limited to the purchase of excess foreign currencies.

The Director of the Bureau of the Budget has been delegated authority under Executive Order 10900, as amended, to fix amounts of Public Law 480 currencies to be used for the various purposes set forth in section 104, to the extent he deems it necessary. It is anticipated that such action will be needed only for (a) non-excess currencies under old agreements which were unavailable by the terms of the agreement for payment of regular obligations; (b) the diversion of excess currencies from U.S. uses to loans or grants; and (c) exceptions to the usual rules in unique circumstances to meet emergencies or situations involving the national security. Requests for such determinations should be set forth in a letter to the Bureau of the Budget and must be fully justified.

In cases where an agency is authorized to reimburse its appropriations with collections from specific sources, collections in foreign currencies from those sources are also available for purposes of the appropriation. To the maximum extent possible, the currencies should be converted to dollars (through the disbursing system) and the dollars credited to the appropriation.

5. Policies with respect to trust funds. When agencies are authorized by law to accept foreign currencies under trust agreements, the currencies may be expended without charge to appropriations in accordance with the terms of the trust agreements.

6. Policies with respect to country uses. Country-use currencies will be made available for expenditure without charge to appropriation. (The law provides that grants under section 104(e) of Public Law 480 shall be subject to the provisions of section 1415 of the Supplemental Appropriation Act, 1953, unless action is taken to waive this requirement. Waiver authority has been delegated to the Secretary of State.)

7. Procedure for Treasury sales to appropriations. The Treasury Department will maintain such accounts as may be needed for sales to appropriations generally and for sale to appropriations for special foreign currency programs.

Charges to appropriations will be made as of the time the foreign currencies are disbursed and will be based on the Treasury selling rate of the currency at the time of disbursement.

Executive Order No. 10900, as amended, makes all U.S. use currencies under Public Law 480 available for sale by Treasury to any appropriation, except as may be inconsistent with the law or agreements. In cases where the agency head is authorized by law to make determinations with respect to the use of currencies available under the Act, the Treasury Department should be advised directly of the determination, with a copy furnished to the Bureau of the Budget. The Treasury Department will act on such determinations in the order in which received unless otherwise advised by the Bureau of the Budget.

Transfers to accounts for sale to appropriations generally will be made in accordance with the terms of the agreements. The Treasury Department should be advised directly by the agencies of excess currencies which are planned for use under the appropriations for special foreign currency programs.

Separate accounting and reporting is not required for foreign currency transactions which are charged to appropriation accounts. Policies and instructions with respect to budget submissions for special foreign currency program appropriations are contained in Circular No. A-11.

8. Procedure for expenditure without charge to appropriations. Currencies available for expenditure without charge to appropriations will be transferred to agency expenditure accounts. Generally, transfers will be made in accordance with the terms of the sales or other agreements involved. Requests for priority transfers under special circumstances should be directed to the Treasury Department when the request involves merely expediting the transfer of currencies which would otherwise be transferred in the normal course of operations. However, requests which involve a preference for one program over another should be directed to the Bureau of the Budget. Obligations must be limited to the amount in the agency account or the amount apportioned, whichever is smaller.

Whenever it appears that the balance in an agency account will not be needed for the purpose for which it was made available, the agency should return the currencies to the appropriate Treasury (20FT) account.

Foreign currencies available without charge to appropriations are subject to requirements of Bureau of the Budget Circulars No. A-11 and No. A-34 and to certain Treasury Department requirements.

(No. A-20)

9. Utilization of excess currencies. Every effort should be made to see that obligations in excess-currency countries are to be paid in local currencies rather than in dollars. Payments in dollars in these countries represent a net budgetary cost to the U.S. Government and have an adverse affect on the balance of payments.

DAVID E. BELL
Director

Copy for Mr. Komer

Bowles

134

New Delhi, India;
February 11, 1964.

Dear Phil:

I think you might be interested in a brief report on our National Day celebration which turned out to be a very real success. Instead of holding it on the Fourth of July, which in New Delhi is often rainy and always hot, we decided to hold it in memory of Abraham Lincoln and to schedule it for the nearest Saturday, February 8, from 3 to 5 p.m.

We invited a total of 7,000 people including not only the obvious ones such as the Ministers, Members of Parliament, the Diplomatic Corps, et al, but people quite far down the line in all the various Ministries and to some extent in the Embassies;--faculties of all universities, high school teachers, student leaders, welfare workers, labor leaders, business people, etc.; a little over 4,000 showed up.

We had two orchestras, one of which was an excellent regimental marching bagpipe band which paraded through the garden. The food was simple--coffee, cookies, Coca Cola--but it seemed to be perfectly adequate. The total cost was around \$1,500 (in rupees!).

The Mission wives with the help of Bob Francis and others organized the whole affair with great skill. Even with the long receiving line (Steb and I estimated that we shook 6,000 hands and exchanged 2,000 namastes on the way in and out), there were no jam-ups.

Everyone seemed to feel it was a highly productive affair which went far beyond the Soviet effort which also

The Honorable
Phillips Talbot,
Assistant Secretary for
Near East and South Asian Affairs,
Department of State,
Washington, D. C.

FEB 18 1964

-2-

seeks to reach down into the city of New Delhi for its October Revolution party.

I am enclosing a little folder which was given to each guest as he left.

Warmest regards.

Sincerely,

Chester Bowles

Enclosure:

Folder for National Day
Celebration.

134a
MR. K. SUNDAM,
CONSULAR ASSISTANT,
CON.,
EMBASSY



Embassy of the United States
of America

The Roosevelt House, New Delhi

February 8, 1964

In observance of the anniversary of the birth on
February 12, 1809, of Abraham Lincoln, sixteenth
President of the United States.

GETTYSBURG ADDRESS

Reproduced in his own handwriting



Abraham Lincoln
1809-1865

IN 1860 at the age of 52 Abraham Lincoln was elected to the Presidency of the United States. Before he had assumed office, fighting broke out at Charleston, South Carolina, and soon the Federal Union was split by a bitter civil war in which more than one million white Americans died in the struggle to abolish Negro slavery and to preserve our national unity.

President Lincoln's Gettysburg Address, reproduced on the opposite page, dedicated the military cemetery for those who fell in one of the bloodiest battles of the war.

On March 4, 1865, with victory finally in sight, Abraham Lincoln was inaugurated for his second term. In his Inaugural Address, he called upon the American people to bind the nation's wounds and to re-establish the unity of victors and vanquished:

"With malice toward none; with charity for all, with firmness in the right, as God gives us to see the right, let us strive on to finish the work we are in . . . to do all which may achieve and cherish a just and lasting peace, among ourselves, and with all nations."

Five weeks later this humble humanitarian, considered by many as the greatest of America's Presidents, was struck down by the bullet of an assassin.

Four score and seven years ago our fathers brought forth on this continent, a new nation, conceived in Liberty, and dedicated to the proposition that all men are created equal.

Now we are engaged in a great civil war, testing whether that nation, or any nation so conceived and so dedicated, can long endure. We are met on a great battle-field of that war. We have come to dedicate a portion of that field, as a final resting place for those who here gave their lives, that that nation might live. It is altogether fitting and proper that we should do this.

But, in a larger sense, we can not dedicate—we can not consecrate—we can not hallow—this ground. The brave men, living and dead, who struggled here, have consecrated it, far above our poor power to add or detract. The world will little note, nor long remember what we say here, but it can never forget what they did here. It is for us the living, rather, to be dedicated here to the unfinished work which they who fought here have thus far so nobly advanced. It is rather for us to be here dedicated to the great task remaining before us—that from these honored dead we take increased devotion to that cause for which they gave the last full measure of devotion—that we here highly resolve that these dead shall not have died in vain—that this nation, under God, shall have a new birth of freedom—and that government of the people, by the people, for the people, shall not perish from the earth.

Abraham Lincoln.

November 19, 1863.

This folder is printed on hand-made paper, such as has been manufactured in India for more than eleven centuries, employing at its peak (during the Mughal Period) more than 62,000 people. Cheap mill-made paper replaced the old product in the early 19th Century.

But in the 1930s, under the inspiration of

Mahatma Gandhi and under his patronage, hand-making of paper was revived by the All India Village Industries Association. Today paper is made by hand at 91 rural centres throughout India, giving employment to nearly 20,000 people. This paper is from the Handmade Paper Institute at Okalwadi, near Poona in Maharashtra.



Abraham Lincoln Speaks

"No man is good enough to govern another man, without that other man's consent."

—Speech at Peoria, Illinois, 1854.

"What constitutes the bulwark of our own liberty and independence? It is not our frowning battlements, or bristling seacoasts, our army and navy. These are not our reliance against tyranny. . . . Our reliance is in the love of liberty which God has planted in us. Our defence is in the spirit which prized liberty as the heritage of all men, in all lands everywhere. Destroy this spirit and you have planted the seeds of despotism at your own doors."

—Speech at Edwardsville, Illinois, 1858.

"The world has never had a good definition of the word 'liberty,' and the American people, just now, are much in need of one. We all declare for liberty; but in using the same word we do not all mean the same thing.

"With some the word 'liberty' may mean for each man to do as he pleases with himself, and the product of his labour; while with others the same word may mean for some men to do as they please with other men, and the product of other men's labour.

"Here are two, not only different, but incompatible things, called by the same name—'liberty.' And it follows that each of the things is, by the respective parties, called by two different and incompatible names—'liberty' and 'tyranny.'"

—Speech at Baltimore, Maryland, 1864.

"Let us have faith that right makes might, and in that faith, let us, to the end, dare to do our duty as we understand it."

—Speech at the Cooper Union, New York, 1860.

"Ballots are rightful and peaceful successors of bullets."

—Message to Congress at Washington, 1861.

"The dogmas of the quiet past are inadequate to the stormy present. The occasion is piled high with difficulty and we must rise with the occasion. As our case is new, so must we think and act anew."

—Message to Congress at Washington, 1862.



(Following message received)

[Redacted]

136
January 30, 1964

India
Bowles
(+)

To Undersecretary Harriman

Information Copies to Mr. McGeorge Bundy and Mr. John McCone

From Ambassador Bowles

"WHEN I LEFT WASHINGTON LATE NOVEMBER, UNDERSTANDING WAS THAT DEPARTMENT WOULD TAKE INITIATIVE AIMED AT WINNING SUPPORT, FIRST IN INDIA AND THEN IN PAKISTAN, FOR AUTONOMOUS KASHMIR. YOU WILL RECALL THAT THIS DECISION WAS TO BE TAKEN AT HIGH LEVEL, AND NOT TO BE REFERRED TO IN ANY BUT MOST TIGHTLY CONTROLLED COMMUNICATIONS. NEED FOR THIS PROGRAM HAS IF ANYTHING BECOME EVEN GREATER IN LIGHT DEVELOPMENTS OF PAST SIX WEEKS. DETERIORATION IN INDO-PAK RELATIONS SO SERIOUS THAT CHANCE OF WINNING SUPPORT IN BOTH COUNTRIES FOR STEPS LEADING TO MODUS VIVENDI HAS ACTUALLY IMPROVED. DURING SAME PERIOD INDIAN GOVERNMENT HAS BEEN FORCED CONSIDER SERIOUSLY, AS ONE MEANS RESTORING POPULAR RULE JAMMU AND KASHMIR, THE RELEASE OF SHEIKH ABDULLAH, WHICH WOULD MEAN ENTIRE ACCEPTANCE IN PRINCIPLE OF ULTIMATE AUTONOMY IN SOME FORM. TIME IS RIPE FOR CAREFUL COVERT CAMPAIGN TO BOLSTER POSSIBILITY SUCH A STEP. PLEASE LET ME KNOW [Redacted] PRESENT STATUS MY NOVEMBER REQUEST."

FEB 3 1964

SANITIZED
E.O. 13526, Sec. 3.5
NLJ 18-244 FRMS
By *ch* NARA, Date 9-4-13

~~SECRET~~



138
Boales
EMBASSY OF THE
UNITED STATES OF AMERICA

New Delhi, January 16, 1964.

~~CONFIDENTIAL~~

Dear Bob:

I am enclosing a copy of a letter to Phil Talbot which covers the question in regard to Sig Harrison's story which you raised in your letter. I think you will personally understand why I feel deeply annoyed to hear that it was generally assumed that the Sig Harrison story came out of our office here. Of all places where such a story almost certainly would not come from, it is from those of us here who suddenly found ourselves in the position of seeing everything we have been striving to do placed in the greatest jeopardy. I gather that the official cynicism of Washington is as deeply rooted as ever.

There is no need to comment any further on our cables and on the reports which we have sent in. While I agree that you can never expect to get everything you want, there is often a point in any operation beyond which compromise leads to failure, and I believe this is particularly true in regard to the Taylor Plan. Although we will do our best with whatever we get, our capacity to influence events here will be strictly limited unless we have the necessary funds.

I am preparing a series of reports which should be in your hands early next week: (1) an economic-political analysis of where India stands and the decisive situations facing us before the election of 1967; (2) an analysis of the opportunities for expanding India's industrial output (and particularly in small

Mr. Robert Komer,
The White House,
Washington, D. C.

DECLASSIFIED
E.O. 12958, Sec. 3.5
State Dept. Guidelines
By *f*, NARA, Date 8-27-03

JAN 21 1964

industry) with non-ferrous metals and rubber from our stockpiles and without upsetting the international market; (3) an analysis of the PL480 operation and roadblocks; (4) an analysis of the equipment required for the contemplated sixteen divisions of the Indian army; (5) an analysis of the implications of the Pakistan-India religious conflict.

How about coming out and paying us a visit? You would find it stimulating and I think reassuring.

Warmest regards.

Sincerely,



Chester Bowles

P.S.

I am enclosing a copy of our guest list at the most recent student gathering at Roosevelt House. We have done a great deal of this sort of thing and are now extending it throughout India.

*Also a family reunion which will give you
a glimpse of our life.*

138a

New Delhi, January 15, 1964.

~~CONFIDENTIAL~~

Dear Phil:

Many thanks for your letter at Christmas and also for the follow-up which arrived a day or two ago. One of the most difficult problems in any overseas post lies in not being tuned in on the way issues are shaping up at home, and I am grateful to you for your understanding of this situation.

There is no sense of my adding to the cables which have already been sent; we have tried to spell out our views clearly and frankly. India I believe is at a most decisive point in her development and the next three years may tell the story for the next decade or more. I am putting together my personal analysis of the present situation, which will reflect a great many recent conversations with top Indians both inside and out of the Government.

The violence in East Pakistan and on a bigger scale in Calcutta has been a shocking development. In all the years I have spent around India I have never actually encountered significant Hindu-Muslim bitterness with the exception of some rumblings that grew out of a wedding of a Muslim and a Hindu in 1952 here in Delhi. Although there is plenty of room for blame in the present situation on both sides, such explosions will continue to be a danger as long as the Pakistan Government insists that the differences between Pakistan and India are basically religious. Even if we

The Honorable
Phillips Talbot,
Assistant Secretary of State for
Near East and South Asian Affairs,
Department of State,
Washington, D. C.

DECLASSIFIED
E.O. 13526, Sec. 3.5
By LLA / NAC 17-361
NARA, Date 62-19-204

JAN 21 1964

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-2-

cannot settle these differences it will be a big step forward if we are able to just get them debated in a non-religious framework.

We sent you all the background we could dig up in regard to Sig Harrison's news break on the Seventh Fleet. This had all the elements of a disaster here in New Delhi and I believe that Sig acted in an acutely irresponsible manner. Although I have not seen him since before the story appeared I told him on the telephone that morning that he had jeopardized everything that we were trying to do here for the sake of a single news story, and it would not be easy for us to forget it all. I understand he is now most upset and feels that I was unfair.

Sig is a good friend of both you and me but out here I must say he has been a disappointment. Instead of trying to dig into what is really happening in India outside of MEA and Delhi, he has developed into a kind of geo-political Peeping Tom. If he is that interested in geo-politics he would be better off to take a job in the State Department with you or Tom Hughes where he could perform a solid aboveboard service rather than trying to operate as a secret agent picking up bits of information and throwing them haphazardly together into what is often a distorted picture. It might be very helpful if you wrote him as an old friend of your own disappointment. Certainly he knows where we stand.

As far as the origin of the leak is concerned, we know no more than we told you in the cables. Sig gave the impression to Bill Weathersby and others that the story had come out of the Pentagon to Warren Unna or someone else on the Washington Post staff and hence out to him. At the same time he threw out the suggestion to others that he picked it up from a recent visit to Rawalpindi or Karachi.

In any event, when the story appeared we were placed in a most critical position in our efforts to deal effectively with the Indian Government. After Taylor had explained our tentative plans to Nehru, I added, "Mr. Prime Minister, you will undoubtedly face many difficult problems today on which you must give either a negative or a positive comment. Here at long last is one on which there is no such necessity. The seas are open to anyone and therefore this is not a matter for India's immediate concern."

~~CONFIDENTIAL~~

*Warren said
Mr.*

~~CONFIDENTIAL~~

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Nehru looked vastly relieved and from then on has pretty well stuck to this interpretation.

Generally speaking, I think everything is going quite well. United States' influence in this country is infinitely greater than I ever dreamed it could be at this stage, and I think we have found several keys to give it deeper roots.

With warmest regards,

Sincerely,

Chester Bowles

P.S.

As you know, I have always been interested in student relations in India and elsewhere. We are now having regular monthly meetings with selected groups at Roosevelt House. I enclose a guest list of last evening which will give you an idea of some of the contacts that we are developing. It was a particularly successful occasion with a young American guitar player and a big turnout.

CBowles/hm

Student Evening
Roosevelt House

Monday ~~Monday~~, January 13

6:00 to 8:30 pm ~~6:00 to 8:30 pm~~ ^{Talk Singing}
8:30 to 10:00 pm Buffet Supper

GUESTS

Indian Students and Student Leaders

- | | |
|------------------------|--|
| Mr. Ashok Trikha | President, Students' Union, Kirori
Mal College |
| Mr. S.R. Sond | General Secretary, National Council of
University Students of India |
| Mr. Roshan Seth | St. Stephen's College |
| Mr. Ramesh Puri | St. Stephen's College |
| Mr. Ashoka | National Council of University Students |
| Mr. S.P. Aggarwal | Experiment in International Living |
| Mr. Raj Kumar Kholi | SGTB Khalsa College |
| Mr. Satish Vyas | Delhi University |
| Mr. Arun Haira | President, College Union, St. Stephen's
College |
| Miss Pushvinder Singh | Miranda House, Delhi University |
| Miss Suman Badhwar | Lady Irwin College |
| Miss Amita Sakhuja | Lady Irwin College |
| Miss Pramila Rao | Lady Irwin College |
| Miss Krishna Sen | Lady Irwin College |
| Miss Meeta Mehta | Lady Irwin College |
| Miss Seetha Crishna | Lady Shri Ram College |
| Miss Bitoni Chopra | Lady Shri Ram College |
| Miss Rup Narang | Triveni Kala Sangam |
| Mr. Aftab Seth | St. Stephen's College |
| Mr. Pawan Kumar Goel | Secretary, Hindi Sahitya Sabha |
| Mr. Ranadhir Chowdhury | Secretary, Planning Forum |
| Mr. Somnath Mukherjee | General Secretary, College Union,
Delhi College |
| Mr. Thomas Mathews | Secretary, Delhi College |
| Mr. Mohamad Jsa | President, College Union, Delhi College |

GUESTS (contd.)Indian Students and Student Leaders

Mr. Brij Mohan Jethi	Delhi College, President of Delhi State Students' Congress
Mr. Virender Sud	Dyal Singh College, Vice President Delhi State Students' Congress
Mr. S.K. Gupta	Delhi College, Vice President, Delhi State Students' Congress
Mr. Vijendra Jain	Shri Ram College Commerce, General Secretary
Mr. Montek Singh Ahluwalia	St. Stephen's College
Mr. Prabhat Patnaik	St. Stephen's College
Miss Lakshmi Ram	Delhi College, Secretary, Debating Society
Mr. C.M. Nagar	Delhi College, Secretary, Arts and Culture Society
Mr. Shamim Anwar	Delhi College, Secretary, Social Service League
Mr. Amresh Ganguly	Delhi College, Secretary, Political Science Society
Mr. N.R. Dogra	Delhi College, Secretary, Social Service League
Mr. Man Mohan Khanna	Delhi College, Secretary, Fine Arts Society
Mr. Ashok Kumar	Delhi College, Secretary, United Nations Students Association
Mr. Chandra Kishore	Shri Ram College of Commerce President, University Council of Social Service Leagues
Mr. Prem N. Ahlawat	Kirori Mal College, Secretary General, University Council of Social Service Leagues
Miss Joya Choudhuri	Lady Shri Ram College for Women
Miss Ann Rodrigues	Lady Shri Ram College for Women
Miss Aruna Rodrigues	Lady Shri Ram College for Women
Miss Purnima Mehta	Miranda House, Secretary, Students' Union
Miss Jyotsna Jaitley	Miranda House, President, Dramatic Society
Miss Shailaja Dhume	Miranda House, President, De- bating Society
Miss Jyoti Kapur	Lady Irwin College, President Students' Union
Mr. Shreesh Jayal	Executive Secretary, National Council of University Students' Union

GUESTS (contd.)American Exchange Students in Delhi

Mr. and Mrs. Ralph W. Cummings, Jr.
Mr. and Mrs. Milton Israel

Mrs. Jeanette M. Snyder

Mr. Roy Dean Wright

Mr. and Mrs. Charles Green

Mr. and Mrs. Norman Nicholson
Miss Gessie Winston
Mr. and Mrs. Bailey

Delhi School of Economics, Delhi
Indian School of International
Studies, New Delhi
Indian School of International
Studies, New Delhi
Delhi School of Social work,
Delhi University

American International School

Richard Bateson
Amarjit Bhamroyal
Judith Goudie
Mark Isenberg
Pamela Laughlin
Michael Mandelbaum
Tom Noonan
Michael Smith
Gordon Fisher
Robert McGee
Ken Komai
Karen Dalton

AFRICAN STUDENTS

Mr. A.K. Musoke	Delhi College, Delhi
Mr. Aaron Mabaye	Delhi College, Delhi
Mr. B.A.M. Shikule	Delhi College, Delhi
Mr. M.M. Mahalanga	Delhi College, Delhi
Mr. J.O. Dibia	Delhi College, Delhi

AMERICAN STUDENTS

Miss Susan Reed	Lady Irwin College
Mr. D.R. Tallen	Jamia Rural Institute
Mrs. R. Lee Wold	Jamia Rural Institute
Mr. R.M. Wold	Jamia Rural Institute
Miss M. Nielsen	Jamia Rural Institute
Miss Victoria Pollock	Jamia Rural Institute
Dr. Donald E. Morris	National Physical Laboratory

FOREIGN STUDENTS

Mr. R.T. Sahweil	Delhi College
Miss S.E. Pour	Delhi College
Mr. K. Sedhumadhavan	Delhi College
Miss S. Vengpratang	Delhi College
Miss Pant	Miranda House
Miss Marcella Almerigi	Miranda House
Miss S.A. Chernikova	Miranda House
Mr. Ishakhan Azarian	Shri Ram College of Commerce
Mr. R.H. Galiullin	Gwyer Hall, Delhi University
Miss Veena Krompotic	Miranda House

Dependants of Mission Employees

Miss Penny Houston
 Miss Nancy Greene
 Miss Jane Bingham
 Miss Mary Bingham
 Miss Maryon Hill
 Miss Kathy McGee
 Miss Pam Hugo

Dependents of Non American (Diplomatic and other) Residents

Misses Schlumberger	Austrian
Miss Susame Book	Swedish
Miss Gore-Booth	British
Ole Kamp-Larsen	Danish Student
Adrian Kessler	Canadian Student

Indian High School Students

Ishan Kapur
 Ashok Jain
 Manmohan Singh
 Jivak Lal
 Malvika Menon
 Malvika Thapar
 Manju Sehgal
 Teghbir Singh

MISSION

Mr. and Mrs. Richard Celeste
 Mr. and Mrs. William Levit
 Mr. and Mrs. Douglas Bennet
 Mr. and Mrs. Perlman
 Mr. Wonderlick
 Captain and Mrs. Spires
 Miss Nancy Pelletreau
 Miss Mildred Lawy
 Miss Evelyn Eller
 Mr. and Mrs. Donovans
 Mr. and Mrs. John Christy
 Mr. and Mrs. John Bissell

HOST AND HOSTESS

Ambassador and Mrs. Chester Bowles

Jan 13, 1964

138c

Dear Daughters, Sons, Sisters and Friends:

This is the first Christmas when Steb and I have been wholly separated from all members of the Bowles or Stebbins family. Although it seemed very strange there was a great deal of Christmas spirit here and it was a pleasant holiday period.

In early December Steb had set up a committee to decorate Roosevelt House. The 30 foot tree was impressive and the Christmas decorations quite beautiful. Another committee arranged a moving Christmas Eve pageant on the lawn of Roosevelt House for an audience of nearly one thousand Indian and American employees. That night we attended a Christmas party dinner at Dick and Dagmar Celeste's, with the Bob Brooks, Doug Bennet, Jrs. and John Bissells. On Christmas itself we held a gigantic all-day reception at Roosevelt House.

When Steb first suggested a general invitation to the New Delhi public to call on us between 10 a.m. and 6 p.m. on Christmas Day for punch (non-alcoholic) and cookies, many of our associates were fearful that the situation would get out of hand; we might even find ourselves faced with an influx of snake wallas.

Steb, as you might expect, doggedly stood her ground, asserting in the Andrew Jackson tradition, that even snake wallas should be welcomed as long as they checked their snakes outside.

Thanks largely to careful preparation by a dedicated committee of Mission wives and able management by teams of Indian and American ushers on two-hour shifts, it turned out to be a spectacularly successful occasion with the estimates of Indian visitors ranging from 6,000 and 15,000—students, business people, labor leaders, government workers, even some villagers.

After an early breakfast Christmas morning, Steb and I first visited several American patients at the St. Francis Hospital and then went to Roosevelt House. We were on our feet from 10 a.m. to 6 p.m., greeting everyone as they came in and saying goodbye when they left. When we finally settled down before the fire at 17 Ratendone Road for a pre-dinner martini, we felt as weary as we have ever been after a week of campaigning in Republican Fairfield County, but probably much more successful.

JAN 21 1964

The next day we left for a long anticipated ten day rest in the coastal village of Gopalpur on the Bay of Bengal in the State of Orissa. We flew to Bhubaneshwar, the newly built capital, and were then driven in an Orissa state car one hundred miles down the coast to Gopalpur.

The little hotel there turned out to be a lovely place, directly on a ten mile beach. There were only 35 guests, representing eleven nationalities, which included several representatives from East European countries who were working on Bloc technical assistance projects in Bengal, Orissa and Bihar. The hotel was modern in every way; the rate of \$6.00 per day included excellent food and a large double room and bath directly on the beach 300 feet from the surf.

After six months of hard work, we were tired and determined to spend our time reading books, walking on the beach, sleeping and staring into space. But it did not work out that way.

Two days after our arrival, I received a telephone call from Governor A. N. Khosla of Orissa, an old friend, who in his former capacity of Union Commissioner of Water Resources had been largely responsible for the giant Bhakra-Nangal Dam in the Punjab which was completed in 1962. The Governor was most insistent that weary or not I could not come to his state without spending some time visiting the development projects on which he was working.

After some negotiation I agreed to take two days off for a personally conducted tour. This inspired Steb to make plans to visit the famous 12th Century Hindu temples at Puri, Bhubaneshwar and Konarak.

Two days later at 6 a.m. Steb left for Puri by train. (Although she assumed she was by herself, a police officer soon appeared as her escort.) An hour or so later, Governor Khosla met me at the little turf air strip in Gopalpur and in his 6-passenger Beechcraft we embarked on a most stimulating and productive two days.

After a one hour plane ride and three hours in a car, we arrived at the site of the vast new dam at Tikarpara on the Mahanadi River which flows through central Orissa. The last ten miles were in a jolting jeep through the roughest kind of jungle over the roughest kind of road.

Tikarpara dam (which is scheduled for completion in six years) will be 400 feet high and over a mile long. It will create a lake 92 miles long with an average width of 12 miles which will displace some 300,000 people in the soon-to-be submerged areas (plans seem to be well advanced to rehabilitate them in newly built villages with assured employment).

The dam will produce electric power very nearly equal to the hydroelectric output of TVA in addition to irrigation water for some four million acres of rice paddy land. Already there are 4,000 people working on the project to which the U. S. Government may ultimately contribute \$40 million in loans for turbines and other equipment.

That night we stayed in a rest house in the jungle by the Mahanadi River (which is said to be teeming with crocodiles) and left next morning at 6 a.m. on a three hour drive to the Hirakud Dam 100 miles up the same river.

As we stood on top of the eight mile long, 300 foot high concrete and earth embankment, which was in the planning stage when we were here ten years ago, it was easy to sense the excitement and accomplishment that such projects create in the minds of the millions of people who benefit from them. To the north, we looked for thirty-five miles across a body of water which is already generating 400,000 K.W. of electric power and which, within another year or so, will be irrigating two million acres for rice cultivation.

In the late morning we visited several villages. In two of them Japanese agricultural experts were demonstrating new methods of rice cultivation which have already quadrupled the output per acre. We also saw a well-equipped engineering college and an impressive medical school which will soon graduate 160 doctors each year. Both institutions have just been completed.

In the early afternoon we flew back to the capital city of Bhubaneshwar where we dropped off the Governor and I met Steb who had come up from Puri. On the way in from the airport for a late lunch, her police escort described Steb's success in getting to know "everybody on the train—first, second and third class." The children, he reported, were particularly responsive to her supply of lollipops.

In mid-afternoon a quick flight in the Beechcraft brought us back to Gopalpur in time for a pre-dinner swim. In the evening, Steb told me of her own good experiences at the Governor's beach house at Puri and in visiting the extraordinary old temples at Konarak and Bhubaneshwar.

Governor Khosla is a remarkable human being. Although now 71 years old he still thinks in 10 or even 20 year terms and in the boldest dimensions. It is fascinating to consider the personal impact that a single outstanding individual can bring to bear in a country such as this.

Orissa is the poorest state in India in terms of per capita incomes. Twenty-four percent of its 17 million people are aborigines or "tribals" who in many hill areas are still carrying bows and arrows. Nearly one-half the state is jungle or mountains and of the 22 million acres that are cultivated, only one million presently benefit from irrigation. No city is larger than 100,000.

To Khosla these grim statistics appear as an advantage. "We are starting," he says, "with a clean sheet of paper." He emphasizes that Orissa is richer in iron and other basic minerals than any other state in India; the people are of good stock; the soil is fertile; there are three major rivers; and the absence of large cities means the absence of the usual urban slums. The task, as he sees it, is to harness Orissa's abundant resources in a way that will create the basis for a modern society within a decade.

Within this decade he believes that 10 million additional acres will be placed in irrigation; 2,000 miles of barge canal will be dug in addition to thousands of miles of irrigation canals; three new ports for ocean-going ships will be completed (today there are none); the enormous bauxite resources will be tapped to feed new aluminum plants; the present one and one-half million ton steel output at Roukela will be tripled; and hydroelectric power, which at the time of Independence in 1947 stood at one thousand K.W. for the entire state, will be in excess of seven million K.W.

If we had not watched Khosla build Bhakra-Nangal Dam in the Punjab under extraordinarily difficult conditions, we would be inclined to dismiss all this as the day dreaming of an imaginative but unrealistic civil servant. As I listened to him talk I was persuaded he and Orissa will come close to the goals which he has set.

Two days after our return to Gopalpur we found ourselves observing Orissa from a different perspective. One afternoon after riding our bicycles through the little fishing village into the countryside beyond, we passed a gate bearing a sign "Cooperative Training Center." On entering, we found 140 young men who were undergoing a one year training program in the operation of rural cooperatives of all kinds--industrial, credit, marketing, consumer, etc. The next day we visited a nearby village training center where 130 rural extension workers were halfway through a two year training course in agriculture, public health, small industries and school construction before their assignment to various villages of the state.

By this time we had met the Commissioner of Ganjam District who suggested a trip into the mountains to visit the aboriginal people, a new settlement camp being built for Tibetan refugees, and various new schools and other installations. The Tibetan camp which will eventually hold 3,000 is being built from reclaimed jungle; already some 200 families with 1,000 people are established there. We received a warm welcome including a wonderful comic "tiger dance" by Tibetans that sent the children (and ourselves) into gales of laughter.

This expedition was followed by another day in the coastal areas with the District Commissioner, visiting local nursery schools, training centers and rural industrial plants, almost all of which were started in the last few years.

Orissa has thirteen districts of about one and a half million people each, each under the administrative direction of a district commissioner. Of the four commissioners whom I met throughout the state, the eldest was 33 (all thirteen are under 40 years of age). Each of the four commissioners is holder of a doctorate in economic or political science from an Indian university. The engineers on the completed and projected dams which I visited were also graduates of Indian universities, under 40 and equally impressive.

Orissa has four training schools for village extension workers, a university of 17,000 students, four engineering schools, six industrial training centers and four medical schools, the latter with a requirement of five years' intensive study. Of the four largest cities, two have been built from scratch in the last six years.

One of the most stimulating aspects of Orissan development is the encouragement that is being given to rural industries. Each year the state government offers two prizes to villages in each of the 13 districts to help finance the beginnings of village industries. The first prize is 50,000 rupees (\$10,000); the second 25,000 rupees (\$5,000).

The choices are made on the basis of a statewide competition in which all the villages of Orissa are judged against a set of criteria which includes clean drinking water, new schools and roads built by volunteer labor, increasing use of fertilizer and improved seeds, population control, public health, child care centers, etc.

We visited two of these newly organized local industries—one a tile roofing factory employing 30 people and the other a small foundry-blacksmith shop making plows, kitchenware, and other hardware. We were told that there is a ready market for nearly everything that can be produced, and considerable employment is being provided in the periods when the fields are not being worked.

In addition to these 26 prizes for outstanding villages, prizes of \$2 million each are given annually to the four districts which have made the best over-all record in regard to their own development. This is sufficient to build a substantial factory.

In addition to the state contributions, the workers in all plants built with these state funds are entitled to buy a small amount of stock paid for through loans. Local people are also urged to invest their capital (it is surprising to see the amount of cash savings available even in poor Indian communities).

Although, contrary to our original plans, half of our stay was spent digging into these varied activities, Steb and I still managed to have a wonderful rest. We swam each day, and between excursions, walked, rode bicycles, read and slept.

One of our most successful experiences resulted from Steb spotting a number of catamaran log rafts hauled up on the beach and determining somehow to go out for a paddle. She persuaded a young Oriya fisherman known locally as "Jimmy" to take us out through the surf nearly every day.

After battling our way through the breakers, it was quite a thrill suddenly to find ourselves in relatively calm water 200 yards off shore where we could slip over the side for a swim. Then we would climb back on the log raft and embark on the wild return ride through the surf onto the beach.

On the ninth day the Embassy Navy Dakota plane with the four crew members, their wives and one or two others came by to take us home. The following noon after they had had their own brief interlude of beach living, we started our five hour flight to New Delhi, flying, first, up the gorge of the Mahanadi River with a spectacular view of the Tikapara Dam site and the broad white bands on the sides of the two mountain shoulders indicating where the dam will some day stand and, then, on toward home. It was a good ten days—restful, stimulating and reassuring.

If this sounds like a Rotary Club presentation of the State of Orissa, forgive me. I could balance some of these accomplishments by questions about the adequacy of some of the training, the tendency of the Indian bureaucracy to concentrate on doing things for the people rather than with them, etc.

However, after listening to the weary, cynical exchanges that color so much of the daily dialogue in New Delhi (a situation which unhappily exists in most national capitals) and against the massive backdrop of Indian poverty and general backwardness, it is worth recording that in Orissa as in many other parts of India thousands of imaginative and dedicated people are busily and effectively doing important things.

Much love to you all,

Sincerely,

INCOMING TELEGRAM *Department of State*

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Control: 12308
Rec'd: January 17, 1964
5:15 p.m.

- BUNDY-SMITH
- ALEXANDER
- BELK
- BERRY
- CHASE
- DINGEMAN
- DUNGAN
- FORRESTAL
- JESSUP
- JOHNSON
- KLEIN
- KOMER
- SALINGER
- SAUNDERS
- SCHLESINGER
- SMITH, WM. Y

FROM: Moscow (Via Pouch)
ACTION: New Delhi 27
INFO: Secstate unnumbered
DATE: January 10, 7 p.m.
New Delhi's 102.

Bowles
(Subject)

Following is (unnecessary words omitted) Soviet translation Pravda article Jan 6 "Bowles Stirs up Trouble," by N. Pastukhov:

BEGIN TEXT: Chester Bowles, US Ambassador India, recently undertook read series lectures Delhi University, which given much publicity. Their purport boils down to attacking public sector, principles planning in India's economy and glorification private enterprise in India. In these "lectures", main content which extensively covered by Indian monopoly press, Bowles calls upon India follow capitalist path development, clamors for strengthening and expanding private capital which he described as vital element in ensuring adequate degree economic progress.

Properly speaking, all these "ideas" far from new. They set forth in programmes such extreme Rightist Indian political parties as Swatantra and Jan Sangh which openly called agents domestic and US monopolies in India. Precisely these parties conduct most brazen, unbridled struggle against Prime Minister Nehru, democratic wing Indian National Congress and Communist Party India.

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-2- Unnumbered, January 10, 7 p.m., From Moscow (Via Pouch)

Such coincidence Bowles' actions and those Indian reactionaries incompatible with his status Ambassador and looks like interfering in internal affairs of country to which accredited. One also perplexed over fact that in "lectures" Bowles dared make slanderous attacks on Soviet Union, state which friendly to India.

Choice time "lectures" no accident. National Congress -- will have conference. It was preceded by Jaipur session of All-India Committee of National Congress, which adopted statement "Democracy and Socialism." Statement pointed out that Congress striving for economic and social revolution in India, that term "planned economy" implied considerable measure state control and that public sector should play strategic and dominant role.

Expected that at party's conference Right-wing elements will try launch offensive against decisions of Jaipur session, call for curtailing public sector in favor private, demand renunciation policy non-alignment.

Bowles tries inspire planned offensive against "Leftists" not infrequently acting rather unceremoniously. And lectures with "recipes" of ways for further development India not only example. Speaking press conference Delhi last summer, Bowles entertained hope that radio station would be set up Calcutta to re-broadcast "Voice of America" programs. Symptomatic this pronouncement made after Nehru stated in Parliament that agreement on "Voice of America" broadcasts was at stage being revised.

To best abilities Bowles takes practical steps with view impeding strengthening public sector - basis for independent economic development

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-3- Unnumbered, January 10, 7 p.m., From Moscow (Via Pouch)

India. On assuming duties Ambassador, he took active part in American play around the construction of iron and steel plant Bokaro. "Study" of plans for construction plant took more time than required build Bhilai plant with Soviet assistance. Reason procrastination obvious. According reports, India's request met with vigorous opposition because it was planned put up in Bokaro state-owned plant which would compete with private sector.

Since US failed comply India's request aid construction Bokaro, Indian Government ^{has} ^{it} ~~withdrawn~~ and decided build plant in public sector with own resources. This also appears be one reasons Bowles' "lecturing" activities.

In his book "Ambassador's Report" Bowles admitted that time past and gone when Western power could set tone, with oppressed peoples Asia dancing to its tune. Question arises: How can one reconcile this sound conclusion of flexible politician and expert Eastern problems with recent statements and actions of Bowles the Ambassador who actually offering India dance to tune of US?

Bowles obviously bent on fishing troubled waters.

KOHLER

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~~SECRET~~

January 21, 1964

Bowles

Dear Chet:

I appreciate both your good wishes and your thoughtful words on India and Pakistan. Depend on it that I am fully aware of the importance of consolidating the gains we have made vis-a-vis India. You in turn will agree, I am sure, that we must do so in ways which will minimize the risks to our relationship with Pakistan.

Thus I share your feeling that we must move ahead with "the building of a new relationship with India which will bring her growing industrial and military potential into focus against the Chinese Communists." But you--and all of our key ambassadors-- must bear with the limits of the possible in terms of what I can get the Congress to do back here. The attack on foreign aid restricts our freedom of maneuver until we can get the aid tangle straightened out. In fact, the problem of the moment is as much that of protecting the sizable aid investment we already make in India--by far the largest anywhere--as that of getting new military aid on the scale you suggest. We will simply have to stretch the resources of diplomacy to restrain Indian appetites, while still getting the forward movement we seek.

For this, I count heavily on you. With your experience, you are the right man in the right spot at the right time. So I look to you to carry on the crucially important task of maintaining and strengthening our ties with India at a time when we may be temporarily unable to meet many justifiable needs. I shall expect you to let me know personally any time you feel our affairs are badly off the rails.

With all good wishes,

/s/ Lyndon

The Honorable
Chester Bowles,
U. S. Ambassador to India,
New Delhi, India

DECLASSIFIED

Authority FRUS 64-68, vol. 25, #7

By JL NARA, Date 8-27-03

~~SECRET~~

LBJ:RWK:tmt

McG Bundy:

The President has seen
this and would like you
to draft an appropriate
reply for him.

Thanks.

Bill Moyers
1/13/64

RWK: will
you do this
- Mitchell
mfb

Bowles
-
(see Rwk draft
for 1B9
1/15/64)

141a

~~SECRET~~

New Delhi, December 27, 1963.

Personal - Eyes Only

Dear Mr. President:

I have not written to you directly about the situation confronting us here in South Asia, because I am keenly aware of the extraordinary burden so suddenly placed on your shoulders on November 22nd, and also because I feel that the cables sent from New Delhi give you a clear view of the existing situation as I see it.

Having worked for two years on the Washington end, however, I am also aware of the wide variety of problems that reach your desk, and since I understand that a decision in regard to my proposals will be made soon, I did want to fill in some background that the cables do not carry.

When John Foster Dulles decided in late 1953 to arm Pakistan as the "strongest available anti-Communist power in South Asia and the Persian Gulf area" I and many others who know the area well vigorously dissented for a variety of reasons--all of which, I believe, have been vindicated by events:

1. From the outset Pakistan would view the arrangement not as an alliance against the Communists, but as a source of United States assistance against India;

2. as fears of U.S.-strengthened Pak forces develop in India, the political strength of the anti-American, pro-Soviet, Krishna Menon group would be sharply increased to our grave disadvantage;

The President,
The White House,
Washington.

~~SECRET~~

DECLASSIFIED

Authority FRUS 61-63, vol. 19, #350

By jc NARA, Date 8-27-03

~~SECRET~~

-2-

3. the likelihood of settling the Kashmir dispute (which was very nearly accomplished in February 1952) would be diminished to the disappearing point;

4. the Soviets, looking for an ultimate balancing factor to China in Asia, would be given a wide open opportunity for a close political, economic, and military relationship with both Afghanistan and India with unpredictable but clearly unfavorable results to our interests.

Between 1954, when this pact was finally signed, and the election of our Democratic Administration in 1960, I wrote extensively and spoke in 43 states with this particular example of mistaken judgment by the Eisenhower Administration as a major theme. May I add in all fairness that the bold move by Herter and Dillon in 1958 to bolster India's economy in spite of Krishna Menon was a major factor in undoing some of the damage done by the Pak "alliance".

In October of 1962 we were suddenly confronted with the opportunity that many of us had been hoping for--an overt Chinese Communist action which would bring home to the Indian Government and people some primary facts of life of Asian politics, i.e., the inevitable political-economic rivalry of China and India and the danger an expansionist China holds for India not only along the 2,200-mile Himalayan frontier but also in Southeast Asia which flanks India's eastern approaches.

The Indians, who had refused substantial Soviet military aid in May 1950 and again in February 1957, were wholly unprepared for the Chinese attack and were, as you know, humiliatingly defeated. This situation forced the resignation of Krishna Menon, threw the Communist Party into disarray, knocked the Soviets off balance and (following our prompt assistance) established the United States as India's most reliable friend with an outpouring of public good will for our country which must be seen and felt to be believed.

If the Pakistanis had seized on this opportunity to establish a better relationship with India by a strong statement of support against China, or at least a beneficent neutrality, a wholly new

~~SECRET~~

~~SECRET~~

-3-

atmosphere would have been created between Karachi and New Delhi in which some settlement of the Kashmir quarrel might have been achieved. But Pakistan chose to endorse China's border claim, assert that India had attacked China, and have Mao Tse-tung as a friend. Five weeks from now Chou En-lai will be welcomed in Karachi as a state guest.

I have many warm associations in Pakistan and indeed I have known on a personal basis every Pakistani Prime Minister and President since Liaquat Ali Khan. Moreover, I am fully sympathetic to the emotional strain which the Pakistanis are undergoing in regard to India's relatively orderly political development, the growth of her industries and her steady progress towards the status of a major power which inevitably downgrades Pakistan somewhat.

This, plus the fact that in their hearts the Pakistanis in spite of all this talk are good friends of America and the China gesture is more a gimmick than a commitment, leads me to feel that our aid to Pakistan should continue, and that we should seek in every reasonable way to quiet their fears--provided they are prepared at least to adopt a policy of neutrality in regard to the China-India conflict, and to work with us in establishing a better atmosphere on the subcontinent in which we can all deal more effectively with the basic problems of defense and development.

I think it is fair to add that under present circumstances the military aid we have given to Pakistan is wide open for attack by a Wayne Morse or some other critic of our foreign policy. Although the Mutual Security Act emphasizes that our military assistance is to be given for the purpose of combatting the Communists, the Pakistanis have made it clear that China is not a threat to her interests, and that their defenses are keyed solely towards India. The very nature of the highly sophisticated and mobile equipment which we have given Pakistan, equipment which is much better adapted to fighting Indians on the north Indian plains than to fighting the Chinese and Russians in the Himalayas and Hindu Kush, could be said by an unfriendly critic to bear this out. Pakistan can correct this situation only by assuming a new posture in regard to South Asian defense against China, and in the types of weapons which they seek from us.

~~SECRET~~

~~SECRET~~

-4-

One thing is certain. Contrary to the Pakistan view we do not have the power to decide whether or not India will build up her defenses. The only influence we can exert is over the sources of military equipment and to some degree the amounts obtained.

The Indians are thoroughly aroused against China and are deeply committed to the creation of an adequate defense force. They can accomplish this in cooperation with us (with an understanding as to ceilings, use of their own foreign exchange, modest purchases from the Soviets, and a greater willingness to work with us on the political containment of China in Asia) --or they can go down a different road with much greater purchases in the USSR, a bigger defense industry of their own and diversion of more of their own foreign exchange for defense purposes.

In South Asia at long last we have the opportunity some of us have been hoping for over the years, and which was the primary reason I returned to India, i.e., the building of a new relationship with India that will bring her growing industrial and military potential into focus against the Chinese Communists.

If I am to have even a reasonable chance for negotiating the basis for the new relationship I need a five year military assistance commitment (properly hedged in regard to Congress), an adequate amount of annual assistance (no less than \$75-\$80 million including the British--a sum which is half that we give to Turkey or South Korea), and maximum flexibility in regard to items and timing.

Given these tools I will do my level best. Without them all we can expect is a continuing impasse, the gradual strengthening of the pro-Soviet Menon forces in India, and the loss of a major opportunity to further United States interests in Asia.

Believe me, I would not have written to you on this "eyes only" and personal basis if I did not feel that the situation and my long personal relationship to it warranted this direct approach. I feel the need for some contact with you, with whom I have never had an opportunity to discuss this situation or my relationship to it in any depth.

~~SECRET~~

SECRET

-5-

With my warmest regards and good wishes in all that you
are striving to do,

Sincerely,



Chester Bowles

SECRET

142

Bowles
Bludick
Map

New Delhi, December 21, 1963.

~~SECRET~~

Dear Mac:

The Taylor talks went off very well indeed with the Indians on their best behavior. They are clearly anxious for a close political and military understanding with us and willing, within certain as yet undefined limits, to adjust their policies and attitudes in order to attain it.

Again, however, I must warn that it is a marginal situation and most uncertain. The \$75 million annually for five years from U.S. and British sources which we have recommended represents only about one-fifth of the total foreign exchange being spent by the British, Russians, ourselves and the Indian Government itself on Indian defense programs. It would seem extremely doubtful that we could expect to exercise any meaningful influence with a lesser amount.

Once the decision is reached in regard to military assistance I hope we can get Washington approval on the approach to Kashmir which I discussed with you in Washington. Although it is a major operation and a delicate one, I believe with a little luck it may point the way to a solution.

In the meantime you can count on us here to do all we can to ease the situation in regard to Pakistan. I invited Walter McConaughy to pay a visit to New Delhi prior to the Taylor visit. Although he could not come he sent Dick Schneider for three days and I think he was impressed with what he saw and heard here. In

The Honorable
McGeorge Bundy,
Special Assistant to the President,
The White House.

~~SECRET~~

DECLASSIFIED

Authority NLS 93-244 (#160)
By jc/pw NARA, Date 8-27-03

~~SECRET~~

- 2 -

accordance with McConaughy's suggestion that we send an observer to Karachi, I asked Jerry Greene to accompany General Taylor on Thursday morning. He will return tomorrow night.

My lectures at Delhi University which I mentioned to you in Washington seemed to be well received. They have been put into book form and I shall send you a copy. (By the way, it took only twelve and a half days counting the weekend from the time the Indian printer got the manuscript until the first book was delivered to our office. A similar operation with Harpers requires no less than seven weeks. Perhaps some technical assistance is in order from India to the U.S.)

USIS has printed a large number of these little books in paper back which are being sent to all officials in the Government, political party leaders, opinion makers etc. I hope that they may be effective in encouraging a somewhat more pragmatic approach. No doubt this is the direction in which TTK wants to go and indeed the direction in which he is already moving. What worries me is his rather flimsy political roots and therefore his vulnerability to attack from the left.

I do hope you have a good Christmas. It has been a long, tough year even without the tragic developments in Dallas.

With my warmest regards,

Sincerely,

Chester Bowles

~~SECRET~~

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142a

Ambassador Bowles' Schedule

March 28 ETA 1620 (Dulles Airport) Pan Am Flight No. 101
(Ambassador Bowles will be staying with Mr. David
Ginsburg at 1688 31st Street, N.W., Telephone:
AD 2-8686. Mrs. Bowles is accompanying the
Ambassador).

March 30 10:00 a.m. Mr. Talbot

 12:30 p.m. Lunch - Mr. Komer, White House

 3:00 p.m. Secretary Rusk

 8:00 p.m. Dinner at McGeorge Bundy's (5225
Partridge Lane, N.W., Spring Valley)

March 31 11:00 a.m. Mr. McCone, CIA, Langley
(to be confirmed)

 4:30 p.m. Secretary McNamara, Pentagon

April 1 11:00 a.m. Mr. Ball (to be confirmed)

 3:00 p.m. Mr. Bell, AID

April 2 12-2:00 pm National Press Club Luncheon

 3:30 p.m. Mr. Rowan, USIA

 5:00 p.m. Mr. Crockett

April 3 BCIU Briefing Luncheon (Businessmen
going to India)

 4:00 p.m. Governor Harriman (to be confirmed)

April 4 Departs Washington for Connecticut

April 5 6:00 p.m. Ambassador Stevenson, Waldorf Towers,
(N.Y.) suite 42A

 2200 departs New York for London and New Delhi

NOTE: A. A State Department car, chauffeured by Mr. John Queen, has
been assigned to Amb. Bowles during his stay in Washington.
B. Secretary Freeman will be out of Washington March 29-April 5.
C. Congressman Passman will be out of Washington through April 6.

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MAR 27 1964

Hal - check out this one too
with you. Start with Bob



EMBASSY OF THE
UNITED STATES OF AMERICA

New Delhi, February 12, 1964.

~~CONFIDENTIAL~~

Dear Bob:

I am enclosing a memorandum on a very special situation here in India on which I would appreciate your help.

At present Indian industrial growth is in the neighborhood of 7 to 8 percent annually. One of the two major obstacles to increasing present output is inadequate supply of non-ferrous metals (another major obstacle is the shortage of steel).

It is estimated that an adequate supply of these metals would enable the Indian industry to expand by 12 to 15 percent, with the greatest impact among the small business firms upon whom the shortage has fallen most heavily. At the same time the correlation between the metals which India most urgently needs and those which we have in the greatest surplus in our own stockpiles is striking.

In the enclosed memorandum I have proposed an arrangement whereby India would agree to maintain her present purchases of non-ferrous metals from the producer countries and also whatever purchases she now makes in the United States for dollars, and then in addition to these purchases we would agree to supply whatever amount of the particular metal in question may be necessary to eliminate the present shortage.

This will provide a major boost to the Indian economy, eliminate the need for price controls and the resulting black markets

Mr. Robert Komer,
The White House,
Washington, D.C.

~~CONFIDENTIAL~~

DECLASSIFIED
E.O. 12958, Sec. 3.5
State Dept. Guidelines

By jc, NARA, Date 8-27-03

FEB 17 1964

CONFIDENTIAL

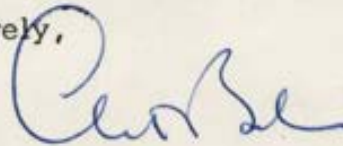
- 2 -

and at the same time cut down to some extent on our huge surpluses which now hang over the market--without interfering with India's present purchases of these metals with foreign exchange.

I know that with all the pressures that are crowding in on you it is difficult to put your mind to a problem of this kind. However, it is of great importance here and if you see any way to give me a helping hand I will be grateful.

With warmest regards ,

Sincerely,

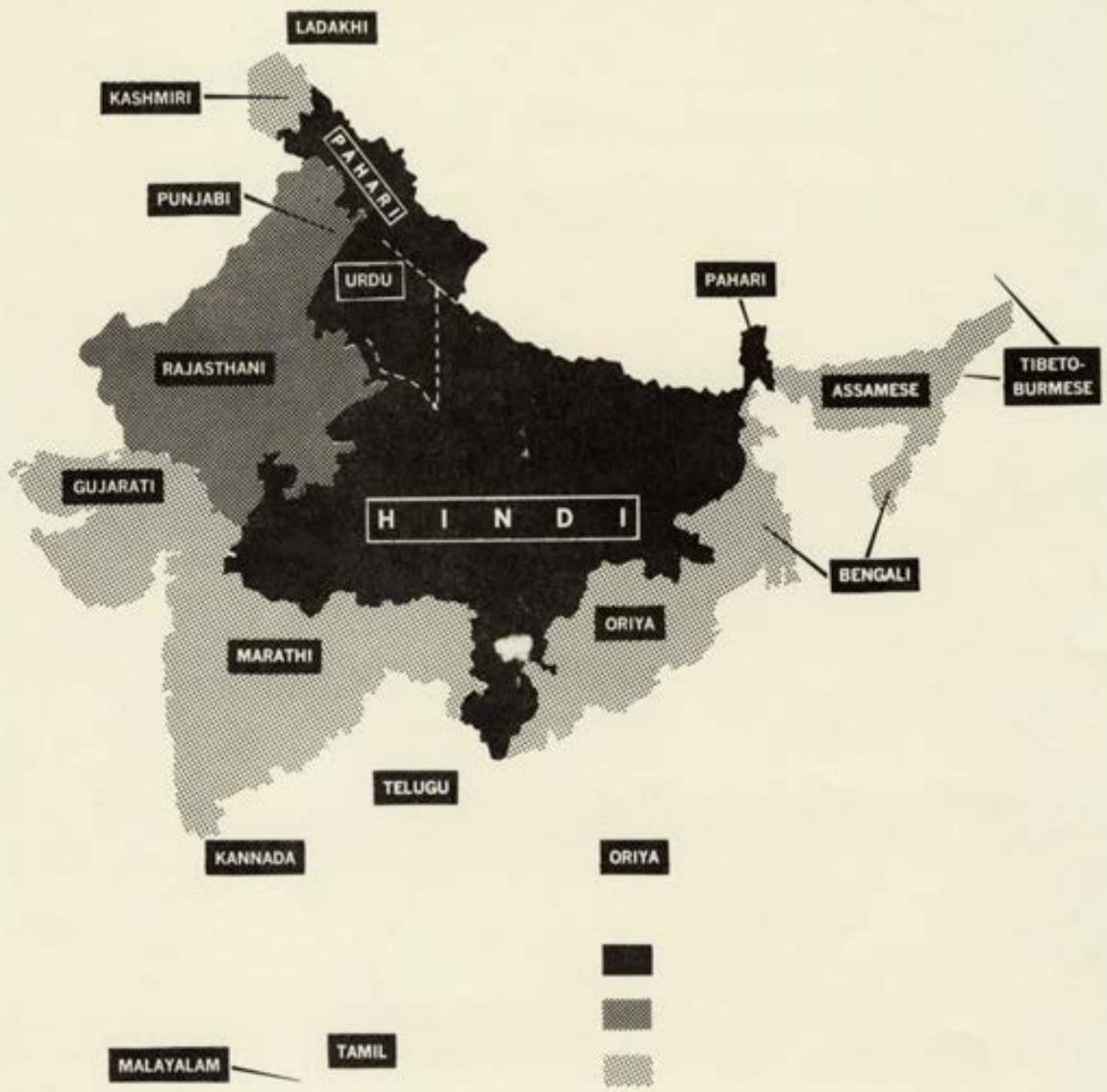
A handwritten signature in blue ink, appearing to read "Chester Bowles". The signature is fluid and cursive, with a large initial "C" and "B".

Chester Bowles



GEOGRAPHICAL DISTRIBUTION OF LANGUAGES, INDIA.

143b



~~SECRET~~

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON 25, D.C.

Bowles
X India
144

December 20, 1963

MEMORANDUM FOR MR. ROBERT W. KOMER

SUBJECT: Surplus materials for Indian defense production

The question of providing raw materials for defense production in India has been discussed in several contexts during the past year. As Joe Jordan's memorandum indicates, proposals for MAP and AID funding have been turned down on a number of policy grounds, which generally reflect the view that aid recipient countries must assume the basic responsibility for the supply of consumable materials in their economies. This general approach is certainly reinforced now by the need for more rigorous priorities within reduced aid appropriations. However, we have told the Indians that program loans for import of such industrial raw materials are based on an analysis of the total requirements of the Indian economy including military as well as civilian production. It has been suggested that India include the defense production requirements in future total requests for assistance from the IBFM consortium.

In October, Bill Bundy told the Indian Finance Minister that he would look into the possibility of securing surplus stockpile materials for Indian defense production and the possibility of making sales at less than current market prices. This conversation is being followed up by a Defense study which has not yet been completed.

As you know, the whole business of strategic stockpile objectives and disposal has grown terribly confused over the years. The administration is now trying to bring some order into it with a combination of Executive Branch actions and proposed legislation. The problem is to establish realistic criteria for determining stockpile objectives, to consolidate the data and procedures for the three stockpiles which now operate under separate legislative authorities, and to develop improved methods for disposing of surpluses without upsetting commercial markets, stirring up political hornets nests, or damaging U. S. foreign policy interests.

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DECLASSIFIED
E.O. 12958, Sec. 3.5
NSC Memo, 1/30/95, State Dept. Guidelines
By *pc*, NARA, Date 8-27-03

DEC 20 1963

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2

At present, only the Defense Production Act stockpile can be used for sales by purely Executive Branch action, without the technically and politically complicated process of obtaining Congressional approval. Our initial impression is that, under existing law, materials could not be furnished to India from this stockpile at less than current domestic prices, except through MAP or AID funding. There might be some possibility of interpreting provisions of the pending legislation to allow such materials to be turned over to a U. S. agency for aid purposes, but this possibility seems slight--and the outlook for early passage of the legislation is poor in any event. It would take a good bit of further study to determine whether additional amendments of the legislation to permit disposal to India would be desirable or feasible.

On balance, the outlook for Ambassador Bowles' proposal does not appear encouraging at this point. However, we would be glad to pursue the matter further with Bill Bundy when he returns from the Far East, and with the other offices concerned, to be sure that any possible avenues are at least being fully explored.

Robert Amory, Jr.
Chief, International Division

~~SECRET~~



EMBASSY OF THE
UNITED STATES OF AMERICA

145

S. J. ...
Bowles
X Indian Map

New Delhi, December 17, 1963.

~~SECRET~~ - PERSONAL

Dear Bob:

Many thanks for your letter of December 7.

In my cable in regard to the Indian Navy I simply suggested that we "make gesture of acknowledging our interest in the role and requirements of Indian Navy, making clear that this would not mean any revision of current and recommended priorities in materiel assistance programs for Army and Air Force, but also offering advice and training spaces as available" for Indian Naval Officers in the United States.

This would cost us very little and I believe it would be worthwhile in maintaining the extremely friendly contacts with the Indian Navy that we have had over a period of years. It never occurred to me that we should go any further than that at this stage or at any foreseeable future.

This is hurriedly dictated in the middle of the Taylor talks which, I think, have been going quite well.

With my warmest regards,

Sincerely,

Chester Bowles

Mr. Robert Komer,
The White House,
Washington, D. C.

DECLASSIFIED
E.O. 12958, Sec. 3.5
State Dept. Guidelines
By *jc*, NARA, Date 8-27-03

~~SECRET~~

DEC 23 1963



146
Bowles
EMBASSY OF THE
UNITED STATES OF AMERICA

New Delhi, December 5, 1963.

~~SECRET~~

Dear Bob:

You will recall that we discussed briefly the question of obtaining raw materials for Indian defense production from the American strategic stockpiles surpluses. This is a topic that I was not able, in all the confusion surrounding my final days in Washington, to pursue successfully. I did talk briefly with Bill Bundy about it but he seemed to think that the subject was outside his province. I am afraid that it is one of those subjects which is outside any one individual's province and, therefore, likely to get little attention.

Although I hesitate to add to your burden I will be grateful if you could run it down so that this question may get the priority attention that it requires. The necessary authority, I am told, is somewhere in the White House.

I am enclosing a copy of a memorandum prepared for me by Colonel Joe Jordan, who as you may remember is serving on my staff for a year. In it he lays out the general dimensions of the problem and suggests ways to deal with it. I brought the memorandum with me to Washington but was unable to follow through on it.

I would very much appreciate your looking into the matter along the lines sketched out in his memorandum to see if anything can be done. If we could obtain a sizable

Mr. Robert Komer,
National Security Council Staff,
Executive Office Building,
Washington, D. C.

~~SECRET~~

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E.O. 12958, Sec. 3.5
State Dept. Guidelines
By *jc*, NARA, Date 8-27-03

DEC 12 1963

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-2-

strategic stockpile surplus it would not only enhance our position in the coming months as we endeavor to reach agreement with the Indians on the kind of quid pro we discussed together in President Kennedy's office, but it would also result in saving an equivalent amount of foreign exchange--which the Indians would otherwise have to spend and which, indirectly, Dave Bell would be supplying out of the economic aid budget.

With many thanks for your help, and my warm regards,

Sincerely,


Chester Bowles

Enclosure:

cc: Memo to Ambassador from Colonel Jordan, Oct. 30, 1963.

~~SECRET~~

146a

The Ambassador

October 30, 1963

Col. Jordan

Raw Materials for India from Surpluses in U.S. Stockpile

1. I believe you could profitably spend some of your time in Washington on the question of obtaining raw materials for Indian defense production from surpluses in the U.S. Strategic Stockpile. Since raw materials are already a critical bottleneck in India's economic development and since there is a growing demand for them in defense production, this is a vital question. Twenty or thirty million dollars worth of this type of aid would both ease the economy's overall raw materials situation (1962/1963 total imports of metals and metalliferous ores were \$301 million) and would assure the continued production of key defense items. Moreover, this type of defense assistance should be less alarming to Pakistan than most others.

2. Both the Executive and the Congress are apparently convinced that more vigorous action is needed in surplus disposals and the time appears ripe for new proposals. The President adopted recommendations of his Executive Stockpile Committee last January calling for an accelerated disposal effort; the Symington Committee of the Senate has also highlighted the desirability of accelerating disposals. In this milieu a forcefully made case for the kind of legislation regarding disposals that would forward U.S. interests in India might well be persuasive. I have raised this general topic with Adam Yarmolinsky who informs me that William Bundy, who has replaced Paul Nitze as Assistant Secretary, DOD/ISA, is now looking into the matter; he further assures me that the question will not be permitted to become lost in the shuffle.

3. As you are undoubtedly aware, the U.S. has recently turned the Indians down on their request for raw materials for defense production. The Defense Department reiterated its longstanding objection to the provision of raw materials through MAP. State cited legislative history and GAO rulings to preclude AID furnishing raw materials to be processed in government-owned factories (which would be the case for the bulk of defense production in India). At the present time, \$25 to \$30 million per year worth of hard currencies are required to import raw materials for defense production. This annual rate will increase substantially, perhaps will double, over the next few years as new defense plants come into production and as the output of existing plants is increased. These raw material

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 By jc, NARA, Date 8-27-03

Page 1 of 2 pages
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DEC 2 1963

~~SECRET~~

import needs fall broadly into three categories: non-ferrous metals, ferrous alloys, and steel. The non-ferrous metals category is by far the largest of these; the three principal items in this category are copper, lead and zinc, all of which are in excess in our stockpile in the amounts of \$88, \$208, and \$336 million, respectively. (The estimates of quantities and types of imported raw materials required for defense production are from the Staley Report, as modified in the light of subsequent GOI experience and the tentative judgment of the Arthur D. Little Group.)

4. It appears that legislation to amend the current acts governing stockpiling will be necessary, if India is to meet part of its needs from the U.S. stockpile of materials. I personally think that it is better to seek authority limiting stockpile-provided assistance to defense production rather than to attempt to obtain broader foreign assistance uses of such surplus materials. Since producer and trade interests are very sensitive to the release of stockpile materials, and an effort to provide for general foreign aid use of such materials might well raise Congressional opposition which a more limited government-to-government defense production assistance approach would not.

5. One way to deal with the amending legislation would be to add to the disposal methods one to permit sales for local currencies which could, in turn, be re-loaned for mutual defense purposes. In contrast to Title I of Public Law 480 (sales of surplus agriculture commodities for local currency) such sales would not involve commercial transactions; accordingly there might be no necessity for corresponding dollar appropriations. Or, amendments might provide for dollar sales of such stockpile materials on long term, easy credit similar to those for Title IV of PL 480 -- which, again, do not require dollar appropriations. A provision might also be added which would permit the barter of surplus stockpile materials for strategic materials not yet in sufficient supply. (It seems unlikely that this provision would be much used, but it is conceivable that technological changes might make thorium, for example, which India has aplenty in the form of monazite sands, a strategic material in short supply.) The legislative exports in BOB and elsewhere can undoubtedly think of other approaches which would permit the provision of raw materials for defense production as an additional aid item rather than as an item in competition for appropriations with other forms of assistance.

Page 2 of 2 pages
Copy 3 of 3 copies
Series A.

~~SECRET~~

November 12, 1963

TOWARD A BALANCE OF POLITICAL AND MILITARY FORCES
IN SOUTH ASIA

*Bowling
Plan for
India
map*

1. In a telegram from New Delhi I have outlined a dual political military approach to India and Pakistan calculated (1) to contain the Indo-Pakistan conflict within manageable limits, and (2) to redirect the energies and resources of both countries toward our own optimum objectives (Embtel 1473). I have also reported evidences of receptivity in the Government of India to the military/security aspect of such an approach (Embtel 1606).

The following comments are designed to elaborate the military and security prong of a dual approach, with particular reference to India. This problem involves our stake in the stability of the subcontinent and the relationship of India to the United States, as well as our Asian and even global strategy.

2. I would first like to suggest the framework in which I believe the problem should be discussed. Only three or four years ago it was considered the worst kind wishful thinking to suggest that the Soviet Union might break with Communist China, and that China might come into armed conflict with India. Yet these two historic developments have in fact occurred, and over the long haul they offer us enormous opportunities for the effective containment of China, for undercutting the USSR, and for the promotion of U.S. global objectives.

The troublesome and in some ways dangerous problems that confront us now are largely by-products of these dramatically favorable developments, and should be seen in that perspective. None of us would choose to return to the days when India and China considered each other Asian brothers, and the prevailing Sino-Soviet relationship was deemed a permanent one. Yet sometimes under the pressures of daily events we slip into a mood in which the Indo-Chinese conflict appears as a net liability to us because it has increased the difficulties between Pakistan and India.

This, I believe we will all agree, is not only a defeatist mood, but also unrealistic; it implies that we are limiting our objectives to sitting on the South Asian lid or, if you will, holding down the series of lids.

Our immediate

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Authority Stak Hr. 2-11-76; OSD Hr. 5-10-76
By fc/ehw. NARA, Date 8-26-03

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Our immediate task, therefore, is to find a tolerable balance of political and military forces in South Asia which will enable us to take advantage of the broader opportunities events have placed in our laps.

3. This balance, as I see it, calls for U.S. military programs and policies in both Pakistan and India that will:

(a) provide an implicit (or if possible explicit) understanding with each Government as to force levels to create an acceptable sense of security in Pakistan in regard to India, and in India in regard to Pakistan and China, that will not overburden the economy of either nation; and

(b) on the basis of these understandings enable us to discourage if not eliminate entirely the purchase of arms from communist countries by either Pakistan or India.

4. Although India is wrestling with the problem of identifying her security requirements and her capacity to meet them without undercutting her development efforts, the situation at present remains dangerously open-ended. Civilian policy makers (e.g., M. J. Desai of the Ministry of External Affairs) suggest an Indian force ceiling of 16 to 18 divisions as a tolerable limit under present conditions.

But India's military leaders are working toward higher ceilings which, if their views prevail, could only result in India's shopping around more or less indiscriminately for weapons, thereby upsetting Pakistan and weakening our own relationship with India.

A military balance in the ratio of 2.5:1 in ground forces, which is about 16 Indian to 6 Pak divisions, might be acceptable to both India and Pakistan. The air ratio will have to be developed.

With a firm annual military assistance program amounting to approximately \$75 million projected over a three to five year period, I believe we would have an even chance of persuading the Indians to accept a military ceiling of 16 to 18 divisions.

As a quid pro quo for such a program we would seek an understanding that India would not purchase communist bloc arms in any meaningful amounts to supplement U.S. assistance, and that the Indians would look beyond the Himalayan frontier to discuss with us first the political, and ultimately the military problems involved in the containment of Communist China in Asia.

These

These assurances would be based on the implicit understanding that Pakistani armed forces would not exceed present levels, and that a reasonable mix of equipment, including aircraft, would be arrived at which would give India a sense of security in regard to Pakistan as well as China.

5. The prospects of such a demarche would be substantially improved by a U.S. commitment to India in the event of an attack by China. Guarantee of U.S. response to an attack on India by Pakistan is already contained in President Eisenhower's letter to Nehru of February 24, 1954, which I presume continues to be operative. The establishment of an Indian Ocean Task Force would also imply security assurances to both India and Pakistan.

A specific assurance to India on our part in regard to a Chinese attack would in my opinion be accepted by India since this would not affect India's policy toward the Soviet Union. I have already suggested both publicly and privately in India that we and India are now joined together in an effort to contain China, however the Government of India may wish to describe this new relationship.

6. More specifically, we might consider a "Kennedy Doctrine" for South Asia. A pronouncement, with or without a Congressional resolution, of our intentions and programs for South Asia, similar in some respects to the 1957 Middle East resolution, could subsequently form the basis for a series of bilateral U.S. arrangements and undertakings with Iran, Pakistan, India and Nepal with an effort at some suitable time to assure Afghanistan's traditional position as a neutral buffer state. Such a "doctrine", and the undertakings based upon it, could supplant the CENTO concept, which increasingly has elements of rigidity and thus a tendency to perpetuate irrelevant relationships. (Our "ally" Pakistan supports our enemy, China, while "neutral" India is the only great nation that shares our concern over China.)

Any public surfacing of such a shift in the structure of our policy and relationships in this area should of course be preceded by most sensitive groundwork and consultations with the governments concerned, particularly our British colleagues.

7. The element of timing with respect to developments in China reinforces the significance of moving ahead soon. There are intelligence estimates indicating that the Chinese will explode a nuclear device within the next year. Even though this of itself will not rapidly increase

Chinese

Chinese military capabilities, many Asians will think it does. Far better for us, therefore, to realign our power dispositions and relationships before the Chinese nuclear test rather than after, so that we can be in a position of confidence, and not appear to be reacting in insecure haste. The prompt establishment of an Indian Ocean Task Force is a necessary step in this direction.

8. In persuading the Indians to accept the concept described above and in Embtels 1473 and 1606, we would of course stress our hope and expectation that they will work for a normalization of their relationships with Pakistan with view to developing a community of interest over the long run.

We would also make it clear that the nature and extent of our own military commitments to India and the subcontinent would substantially diminish the need for India to seek such assistance from the Soviet Union.

This proposed approach would necessarily assume that purely economic assistance would continue at no less than the levels of the last two or three years. In view of the necessary increase in India's military budget any decrease in aid would dangerously slow the rate of India's economic growth.

9. In my opinion, a balance of political and military forces in South Asia will enable us to deal with the Pakistan-Indian problem at a lower rate of expenditure than if we hold back at this stage, allow the situation to get out of hand and then feel forced to participate in the escalation that is likely to follow. The line of approach proposed here will undoubtedly meet with some Indian resistance since there are Indians who would prefer to have an open-ended military situation that would allow them to shop for military assistance in both the Western and Communist blocs regardless of the effect this might have on their military balance with Pakistan.

I recognize that it will be a formidable task to translate the concepts set forth here into the dollars and cents of military and economic assistance for each of several fiscal years. It will also be challenging to formulate a program palatable to Congress, without frightening off the Indians. The Embassy at New Delhi is prepared to develop more precise proposals relating to costs.

10. A final element in this package appeal would be a new and more realistic means of dealing with the overriding problem of India's relations with Pakistan. This would call for tackling the present impasse in two steps:

(a) the

(a) the first step would involve a comprehensive effort to take some of the heat out of the present conflict and create a more relaxed atmosphere between the two nations; the U.S. security guarantee and balance of forces understanding should contribute to this end; (b) the second step, pursued simultaneously, would involve a major effort to sell the concept of an autonomous or semi-autonomous Kashmir in Pakistan, India, and Kashmir itself.

Since this is in my view the only realistic basis for settlement, I believe we should proceed now to create the conditions under which such a settlement can be accepted by all concerned. Efforts during the last year to press India and Pakistan into what we believed to be a reasonable settlement have failed. Further pressures by us will only close the door still tighter.

11. It would be particularly useful if these thoughts could be given careful consideration before General Taylor's visit to the subcontinent, as I believe he could be instrumental in achieving initial agreement on the military balance that is basic to this approach.

Chester Bowles

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Estimated Cost (\$ Millions) of U.S. Portion of Supporting
An 18 Division Indian Army and a 47 Squadron Indian Air Force
as Requested by Ambassador Bowles

	<u>FY65</u>	<u>FY66</u>	<u>FY67</u>	<u>FY68</u>	<u>FY69</u>	<u>5 Year Total</u>
18 Divisions (Army)*	\$17.1	\$13.4	\$13.7	\$15.6	\$17.6	\$ 77.4
47 Squadrons (Air Force)**	\$25.6	\$37.9	\$42.7	\$44.2	\$ 6.0	\$156.4 (incl. 5 helicopter squadrons)
Continued Support of U.S. Misc & Training Aircraft	\$ 6.0	\$ 6.0	\$ 6.0	\$ 6.0	\$ 6.0	\$ 30.0
Defense Production (Not including raw materials)	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$ 50.0
Total Cost - U.S. Only (Million Dollars)	\$58.7	\$67.3	\$72.4	\$75.8	\$39.6	\$313.8 (62 yrs)

* Figures based on the Nassau, U.S.-supported divisions. U.S. equipment only. Corps support, operating costs and training are included.

** Includes operating costs, training and other support.

NOTE: UK/Commonwealth and other third country costs are not included in the above figures. It is assumed that:

- The USSR will furnish SAM units and that they will continue to support their own MA equipment and program estimated at \$14-16 million per year.
- The UK/Commonwealth will continue to support their own MA equipment and program estimated at \$12-14 million per year.
- India will spend about \$80 million in foreign exchange annually in support of defense establishments. Unofficial information indicates that over the past three years India has had an annual foreign exchange expenditure of about \$93 million which included support for the Army, Navy, Air Force and certain Indian defense plants. If Indian foreign exchange is not used to this extent, Military Assistance requirements will be greater.

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By yc/flw NARA, Date 8-27-03

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DEPARTMENT OF STATE
WASHINGTON

11/8



S/S-17036

By (1) Bundy
(2) O'Don

November 7, 1963

~~_____~~
Bowles

MEMORANDUM FOR MR. McGEORGE BUNDY
THE WHITE HOUSE

Subject: Request for an Appointment with the
President for Ambassador Bowles

Ambassador Bowles has asked that an appointment with
the President be requested for him on Wednesday, November
13, 1963.

Benjamin H. Read
Executive Secretary

RWK
Appointment set
for 10:30 am
Wednesday

RWK talked to
Pauline 11/8/63
re: appnt he
made



149
EMBASSY OF THE
UNITED STATES OF AMERICA

New Delhi, November 4, 1963.

~~CONFIDENTIAL~~

Dear Bob:

I am enclosing two letters which may be of special interest to you, one to Prime Minister Nehru and one to Finance Minister T. T. Krishnamachari, each written on a personal basis.

The Nehru letter with its recommendations and suggestions on rural development grew out of discussions which I have had with him on this subject recently and over a period of years. This is a major interest of his; indeed, it is about the only one to which he now responds with any enthusiasm.

The discussion of rural policies and programs which I believe this memorandum may stimulate within the top echelon of the Congress Party and the Government generally will be helpful not only in giving new emphasis to the area of the Indian economy which I believe has the most decisive political implications for the future but also in providing the basis for a dialogue between the Indian leadership and ourselves which may be somewhat more positive than the current "who did what to whom?" theme of VOA Bokaro and Kashmir on which circumstances have required us to concentrate since my arrival in mid-July.

The letter to T. T. Krishnamachari follows a conversation I had with him two weeks ago during which I spoke with considerable frankness about some of the weaknesses and opportunities of the Indian economy.

Robert W. Komer, Esquire,
The White House,
Washington, D. C.

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E.O. 12958, Sec. 3.5
State Dept. Guidelines
By JK, NARA, Date 8-27-03

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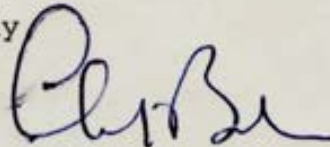
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The suggestion that he sponsor certain reforms in regard to the "excesses" of private enterprise in India (related to misuse of price controls, monopolistic practices, tax evasions, black markets, and the like) while simultaneously giving the green light to private investment generally, may help him out of a personal dilemma: namely, how to get the full economic benefit out of private enterprise, while maintaining the necessary political emphasis on social justice and the traditional objectives of "Indian socialism".

I will be in Washington soon and I hope that I may have a chance to report more fully on these two efforts at that time.

With my warm regards,

Sincerely



Chester Bowles

P.S. It would not be very helpful if this twin effort should get into the United States or Indian press since the Indians would then feel they were under United States pressure on internal matters and dig in their heels. Therefore, I will appreciate it if you will help keep this effort strictly confidential.

Enclosures:

1. Letter to Prime Minister Nehru,
October 30, 1963.
2. Letter to T. T. Krishnamachari,
November 2, 1963.

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New Delhi,
October 30, 1963.

MEMORANDUM TO THE PRIME MINISTER

FROM: Chester Bowles

SUBJECT: The Second Stage in India's Rural Development

Since my earlier service in India and our discussions at that time of the Community Development Program, I have watched with particular interest the progress of rural India. It is a profound satisfaction to find that the program which was launched on October 2, 1952 now covers your entire country.

During this period I have had an opportunity to study different approaches to rural development in Asia, Latin America and Africa. In Japan in particular I have been impressed with the rapid progress that can be accomplished through a well-planned and coordinated effort.

In this unofficial memorandum--written as a friend and observer-- I would like to offer some personal suggestions which flow out of my own experience and that of others who have worked actively in this field.

But let me first define my terms: By "rural areas" I mean not only the villages but also the towns with populations ranging from two or three thousand to tens of thousands which serve as marketing and production areas for the cultivators and landless labor of the surrounding countryside.

By "rural development" I mean not only increased agricultural output but progress in the villages and towns which relates to improved and expanded education, public health, local industries, rural electrification, communications, and the like.

Some background comments on differing approaches to this complex challenge may also help to establish a framework for my proposals.

In recent weeks I have listened to many intense discussions of the techniques most likely to bring about the transformation in the rural areas which most observers now agree is so important. Some experts would concentrate the government's efforts almost wholly on the expansion

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By jc, NARA, Date 8-27-03

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of agricultural production. They assert that India's primary need is for more grains and export crops, that the Community Development Program has failed in this respect, that such "amenities" as schools and clinics should be sharply downgraded and whatever material and human resources may be available for the rural areas focused almost exclusively on an all-out drive for increased agricultural production.

Some advocates of this single-minded concentration on agriculture stress the importance of identifying some dominant open-minded cultivator in each village as a "door opener". According to the theory, his acceptance of new techniques will lead to their acceptance by others and thereby open up the minds of his fellow villagers to the promise of technology and training in agriculture and ultimately in other fields.

Although at first glance this trickle down approach sounds like an inviting shortcut to a new rural dynamism, I am persuaded that it is inadequate to the many-sided challenge which India now faces.

A sound and enduring increase in agricultural output cannot be achieved by pushing buttons labelled "fertilizer", "better seeds", "rural credit"; nor with many exceptions can it be achieved by tying the success of India's rural development to a few thousand locally "dominant individuals" who in most cases will have achieved their "dominance" as landlords or money lenders.

A healthy increase in material wealth in the rural villages and towns can be achieved on an acceptable political basis only if tens of millions of individuals are given a sense of personal dignity and participation in the process of development.

This requires us to deal boldly and directly with the basic causes of rural apathy and backwardness. Although it is an awesome undertaking, it is, in my opinion, the only realistic long-term approach to India's present dilemma.

Within this general frame of reference I suggest the following course of action which might be described as the "Second Stage" of India's rural development:

I

During my previous service in your country we often discussed the critical importance of a land system which assures each cultivator the right and opportunity to own the land which he tills. As you know, the

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most dramatic program of this kind is in Japan where the United States Military Government in 1945 established a ceiling of seven acres per family. This program which was rigidly enforced has enabled 94 per cent of Japanese rural families to own their own land.

With the support of a highly competent extension service and personal and material incentives designed to encourage hard work and land improvements, Japanese cultivators are now producing more rice and wheat per acre on their small farms (average size, 3.2 acres) than anywhere in the world.

There is no doubt that considerable progress in this regard has also been made here in India. The zamindars have been eliminated and each state has passed some kind of land tenure and land ownership ceiling legislation.

However, Wolf Ladejinsky and others who are in close touch with your villages assert that many tens of thousands of individuals have managed to retain control over very substantial acreage, and that in most areas the present land tenure guarantees are inadequate in assuring tenant-cultivators permanent occupancy, which is the minimum security required to give them an incentive to improve their land.

The available statistics do little to clarify this situation. While it is reassuring to read that 78 per cent of all Indian rural families "own land", it is much less so to read that 12 per cent of rural families control more than half of all cultivated land and that one per cent control nearly one-fifth of it.

Admittedly, this situation will not be changed easily. Any government that attempts to come to grips with the explosive problem of land ownership must take on powerful political forces. The obstacles are underscored by the fact that in modern times only two democratic governments--Mexico in the 30's and Czechoslovakia in 1926--have managed to persuade their national legislatures to deal with the problem in an adequate manner. The sweeping and highly productive land reforms that took place in Japan and Formosa were established by governments with near total authority.

Nevertheless I believe that in India, as in Latin America and many parts of Asia and Africa, the challenge is urgent and must somehow be dealt with. As matters now stand cultivators who do not own their own land (or at least hold permanent tenure at a low rental) have little incentive to improve their land through new wells, irrigation, wise use of fertilizers, etc. As long as this injustice exists, political agitators

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will continue to have a ready-made opportunity for troublemaking, while agricultural production will continue to fall short of its goals.

In the near future I shall send you a memorandum on this complex subject with some suggestions for action. One urgently needed initial step may be mentioned here: The development of reliable factual information in regard to the situation that now exists. The last comprehensive rural land survey was made in 1954.

II

In addition to the strengthening of land reform legislation and administration, the "Second Stage" of rural development should of course include first the review and then the improvement of all existing rural programs such as agriculture improvement, community development, irrigation and rural electric power.

I understand that such a review is under way and that there are plans to coordinate the three ministries so that their combined energies can be brought to bear more effectively. This is a wise and useful step.

III

A further review of special programs that have proved successful in a limited area and which may now be ready for nationwide implementation may also be in order. The All-India malaria program that was launched in 1952 is a dramatic example of what can be achieved by a concentrated nation-wide drive towards a clearly identified objective with previously tested and proven techniques.

In this regard, our own United States' experience in the administration of such emergency programs may be helpful. During the depression of the 1930's and later during the War, our government found that when a single administrator with a competent and dedicated staff reporting directly to the Chief of State is given clear-cut responsibility for an urgently needed nationwide program, results may be expected which an established government agency, with all its built-in inertia and bureaucracy, could not possibly duplicate.

To avoid debilitating conflicts with the existing bureaus which may consider it an intruder into their traditional areas of responsibility, we have been careful to establish a special administrative agency of this kind as a temporary body with a clearly defined, urgent objective. Once

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the agency has succeeded in establishing a reasonably smooth-running program in all states and districts, its functions have usually been transferred to the regular departments of our government with federal matching funds provided to the states to assure a continued high standard of performance. The emergency agency is then disbanded.

I have been gratified to learn of your government's plans for a national population control program. This effort may now be ready for the kind of vigorous, direct All-India administrative push which achieved such dramatic results in respect to malaria control. Other possibilities may occur to you.

IV

In addition, I see the need for some bold initial steps to give much greater depth to the Community Development Program with special emphasis on the rural towns.

As you may remember, the original Community Development Plan called for a test program to explore the possibilities of bringing the rural towns into a closer economic and social relationship with the villages. This village cum town experimental effort was eliminated for budgetary reasons.

Since then, some specialized efforts have been made to test out programs which touch on various aspects of Community Development. These include the "food package program" now under way in fifteen districts, some promising rural industrial programs in Orissa and others.

However, if India is to keep ahead of the rapidly rising expectations of its rural people, I believe that a much more intensive and better-financed effort should be made to bring the benefits of a greatly improved and broadened program to all of rural India as rapidly as possible.

As a first step towards this All-India objective an administrative model might be established in a single district which if successful can point the way to the establishment of integrated development on an intensive basis throughout rural India by the late 1970's. The following tentative procedures may help to illustrate what I have in mind.

A. A common mistake in setting up a test of an integrated rural development in a single area is the very human inclination to add all desirable programs together without regard for realistic budgeting. The result is a total effort so costly that it cannot possibly be multiplied no

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matter how successful it may prove to be.

This error may be avoided by carefully relating the test district budget, which may be spent within the test period in the single area to the total resources which are likely to be available for rural development in all districts once national coverage has been achieved.

For instance, the basis for a realistic but rough estimate of a viable test budget for a single rural district may be secured by estimating the percentage of the national budget for 1977 (the first year of the Sixth Five Year Plan) that the Indian Government might be expected to spend on the whole process of national rural development by that time.

This projected national rural development budget divided by the number of districts would give you a rough estimate of the amount of money you could now spend annually on a test program in a single district without getting out of touch with the budgetary realities of 1977, when it may be hoped the new intensified program is established on an All-India basis.

For example, let us assume that by 1977 India's Gross National Product will have increased by 160 per cent; that the national budget at that time will be roughly the same percentage of the Gross National Product as it is now; and that the percentage of the national budget devoted to all governmental programs in the rural areas also remains stable.

By dividing this projected estimate for an All-India program in 1977 by the 330 predominantly rural districts we would have the development budget of Rs. 5 crores (roughly \$10 million) that could now be spent in a single year in a rural test district without getting out of balance with the budgetary realities. This budget would include all developmental activities in this district: agriculture, education, public health, the creation and expansion of small industries, rural electrification, roads, etc.

B. With this rough projected budget as a starting point, a prototype for integrated development could be worked out for a single district. As an illustration, here is a highly tentative description of the kind of special activities which might be included in the intensified, integrated program:

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1. The Improvement of Agriculture: This would include the further development of extension services for the demonstration of better seeds and planting methods, expansion in use of fertilizers, more readily available credit for purchase of fertilizer and improved tools, improvement of irrigation techniques, warehouses to provide storage of bumper crops, marketing cooperatives to assure the farmers a larger share of the price paid by the consumers in the cities, etc.

2. The Development of Small Industries: This might start with a market survey of the district to determine what manufactured products and services are in greatest demand. Studies would then be undertaken to locate facilities and individuals which with adequate training and capital could produce these products. Technical training programs in production techniques would then be launched; loans on easy terms provided to purchase equipment; and cooperative markets (perhaps owned by the contributing producers) set up, supplemented on an experimental basis by retailing through trucks to the various villages, etc.

3. Development of Education: This would include the setting up of additional teacher training colleges in each district capable of producing enough able teachers to provide for improved primary and secondary education for all children. A program should also be established for identifying outstanding students and providing them with scholarships which assure them an education at the nearest available university. Experiments might be made to determine the effect of higher teacher salaries on educational standards.

4. Improving Public Health: The Rockefeller Foundation has informally suggested that a minimum program might include a hospital of 50-75 beds for every block (100 villages) plus four out-patient clinics each under the supervision of a qualified nurse serving a subdivision of 25 villages.

This program could be tied to an intensive program of population control which, as I suggested before, may now be ready for major All-India promotion.

5. Self-Help Housing: This is an area where a great deal can be done in India that is not now being done. Certain countries in Latin America and Africa with our cooperation have developed highly successful techniques of self-help housing. In my opinion, these techniques could now provide the basis here in India for the massive building of adequate but simple homes for no more than Rs. 2500 each, paid for through loans with repayments spread over a period of ten or fifteen years.

The most promising place to start would be in the rural towns where

construction can be most easily supervised, skills and materials are most readily available, and interest most easily aroused. Once the techniques have been mastered, this program could be extended to the villages. As we gain experience, reconstruction of whole villages could be undertaken on a test basis with the labor largely provided by the prospective owners.

6. Improved Communication: A first step in each district test area should be a study of existing roads, railroads and their interrelation. Extension of the road system should proceed on the basis of this study with encouragement to the villagers, who will benefit from this program, to provide voluntary labor. Trucking and bus systems should be worked out to integrate the whole.

7. Cultural Development: Although many regard such activities as pure "do goodism", I suggest that non-governmental agencies and groups be encouraged to expand existing cultural activities and to create new ones. In my own country such a program under the vigorous leadership of Eleanor Roosevelt was an integral and effective part of our development and recovery program in the late 1930's.

India's national objective is not simply to produce more "things" but to do so in a way that increases the dignity of the individual and encourages him to become an active and confident participator in the affairs of his village, district, state and nation.

C. Once this integrated and expanded district prototype with its series of integrated programs has been set up as a model, each state could be invited, with Union participation, to establish a similar test program in one of their own districts.

This would make the total test undertaking a substantial one involving some 25 million people and requiring a considerable investment of money and administrative talent. However, this procedure has the overriding advantage of cutting down on the period of experimentation and moving more rapidly to the stage when the intensive integrated program can be spread across India as a whole.

On subjects that go beyond their personal direct experience most Indians, like Americans, are skeptics. For instance the people of my own State of Connecticut would be only mildly impressed with the results of a test, however successful or relevant, which was conducted in Minnesota or Illinois. Similarly, Indians are most impressed with what they can see operate within their own state borders.

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A successful district test in each Indian state, by personally involving the Chief Minister, State Assembly, Civil Service and private organizations, will set the stage for the much more rapid expansion of the ultimate agreed upon program throughout India.

In setting up each test district, I suggest that each state should be given considerable leeway in regard to priorities. Although it is to be hoped that each state will accept the primary need for greater progress in agriculture, some states might give second priority to village and town industrial development, others to education, others to public health and population control, etc.

This would not require any compromise in regard to the basic objective of an integrated program (which I feel is essential to a successful rural development). It would, however, ease the immediate administrative burden by permitting greater concentration in the early stages on a single supplementary program with a new one added each year or so until full integration has been achieved.

* * * *

I would like to emphasize that these suggestions are purely illustrative. Your associates in the Planning Commission and elsewhere will have better judgment than I on the manner and the pace that an integrated program of this kind can be developed and implemented. For instance, they may suggest that the single prototype program in a selected district should start with four or five blocks and that it should be staffed and launched on its way before the other fourteen states go beyond the planning stage.

However, I would like to express my personal view that the need for a vital, expanded and intensified rural development program is urgent; there is a great deal to be done in a relatively brief time. Rural India is eagerly and anxiously seeking a broad vision of what the future can provide. Wherever delays can be eliminated in providing this vision, we should strive to do so.

V

By its very nature the program which I have suggested must be, by and large, an Indian effort. The contribution of foreign governments will

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necessarily be limited. However, if the general approach which I have outlined appeals to you, we will be delighted to assist you within the limitation of our available resources in carrying it out. Here are some of the things we might do:

A. The assignment of technical people--individuals who have had solid experience in integrated development in India and in other countries--to assist in setting up the model test district and later the state test districts; also the provision of experienced advisers in agriculture, public health, teacher training, small industry, communications, etc.

B. The provision of some foreign exchange loans for the purchase of trucks, communications equipment, hospital equipment and other essentials not now purchasable in India.

C. The possible provision of Peace Corps volunteers in each district. Based on their record elsewhere, they could be most helpful in teacher training, the organization of local industry and the stimulation of self-generating projects such as poultry raising, dairies, etc.

D. We would also consider assigning some United States-owned rupees, which have been earned from the sale of United States agricultural products in India, for various projects within the fifteen suggested districts.

* * * *

The resources, both physical and human, are available to develop an intensive integrated community development program in all of the towns and villages of rural India by 1976. I suggest that anything less may prove to be inadequate.

I shall be glad to discuss these suggestions with you and your associates at your convenience.

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New Delhi, India,
November 2, 1963.

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Dear TTK:

A week or so ago you and I had a stimulating and useful talk on a wide range of economic subjects. I hope that we can meet again before I leave on November 10 for two weeks of consultation in the United States.

Let me emphasize that nothing that I have said or will say implies that we think we have all the answers in regard to economic development. (Indeed it might be pointed out that we do not even have them for our economy at home.)

However, we have been close to the operations of most developing countries over a period of years and, having observed and participated in many successes and failures, we have accumulated a few working concepts that have stood up well.

May I add that the thoughts that I shall pass on to you are my own: in other words, this is not an "official" communication, but rather my own views, advanced on a confidential basis and with a keen understanding of both the political and economic difficulties which you face.

As we agreed in our earlier talk, the Indian economy after a period of substantial forward movement has been rather sluggish for the last two years.

In some measure this is due to the slowdown in agriculture which makes up half of the gross national product. There is also valid reason for concern about lagging industrial operations in specific fields; plus the increasing trend toward land speculation, black markets, tax evasion, etc., which seems to be diverting scarce resources and in some cases skills away from constructive growth.

Shri T. T. Krishnamachari,
Minister of Finance,
New Delhi.

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Although some period of adjustment after the earlier forward thrust was probably inevitable, the fact remains that many of India's best friends and supporters are concerned about the future. Whether or not their concern is justified this creates in itself a situation which we cannot ignore.

Let me digress at this point to say that for many years I have held the view that the amount of United States aid to any nation should be geared to its own capacity to absorb the aid, and fully to employ its own material and human resources in the process of development. On this score India has been consistently in the very top group among all the nations with which we have been working.

However, there are several specific steps which I believe could be effective in improving the present economic outlook, in confounding the doubters and pessimists, and above all in creating a solid foundation for the forward surge of expansion which I know is your primary objective. Here is the way I see it:

1. At present technical, planning and management talent throughout India seems to be strained to the limit. Moreover, it will be difficult to increase foreign aid from the consortium over the figures of the present year.

2. In this situation private capital seems to offer the only major available source of the additional capital and management abilities that are needed to meet India's development goals. In Japan, Mexico and Western Europe since the war, responsible private investment has provided high and consistent rate of expansion. Within a favorable economic and political climate there is every reason to assume that it can carry a similar share of the developmental load here.

3. However, in India, as in several other emerging countries, there have been certain political limitations on the amount of official encouragement that can be given to the private sector. This may be explained in part by the assumption which lingers in most ex-colonial nations that capitalism is somehow a leftover of the colonial era. Here in India it has been compounded by the unfortunate behavior of certain elements in the private sector to which I referred earlier.

4. This suggests the need for a carefully balanced political-economic approach. More specifically, the creative responsible private

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enterprise which India urgently needs must be placed in a politically acceptable framework of economic and social justice. This will free your hands to secure the infusion of private capital, ideas and skills which are essential if the Indian economy is to get off the ground.

5. The creation of an acceptable political framework would seem to call for a variety of governmental actions. For instance, in our recent talk we discussed the possibility of an intensive study of tax incentives designed to encourage industrial development; also, tax penalties and administrative restraints designed to discourage speculation and market manipulation, and a vigorous crackdown on tax evasion and black marketeering.

As one who had considerable experience in the administration of price controls during the war period I would also suggest a careful review of your price control policies and mechanisms. I suspect that as they are now set up some of these controls may be discouraging the production of essential items, increasing black markets, and foistering the output of nonessential products which contribute little or nothing to your national growth. I also have heard much talk of price rigging within certain industries which many observers feel cannot be adequately coped with under present legislation.

If these obstacles, some stemming from the unwise use of controls and some from excesses or malpractices of individual members of the business community, are allowed to continue they may gravely limit the capacity of responsible private enterprise to become the dynamic and creative instrument of India's national growth which in many countries has spelled the difference between economic progress and stagnation.

I see the question largely as one of balance, which in my own country has involved a long political struggle. Early in this century Presidents Theodore Roosevelt and Woodrow Wilson were at odds with what they described as the "robber barons" and "economic royalists"; twenty years later Franklin Roosevelt's New Deal reforms involved many measures, in his words, to drive the remaining "money changers out of the temple."

Although from time to time a few irresponsible elements will continue to ignore the public interest, private enterprise in America is now well established as a socially responsible, dynamic and creative force. I am confident that the foundation for a similar balance exists here in India within your own business community and that with your abilities

and prestige you can build on it rapidly and successfully.

6. Simultaneously with the essential crackdown on the malpractices of capitalism I am deeply hopeful that you will open the door wide to responsible private enterprise operating within a framework of social justice. The following affirmative steps suggest themselves:

A. An administrative set-up within the Union Government which will enable a foreign or Indian private investor to get a much more rapid decision on his application to produce goods for the Indian market. Although I realize that changes are under way, notably through the Swaminathan Committee, to lessen the present delays, I suggest that this streamlining effort be given the highest priority.

One additional possibility which you may want to explore as a means of speeding up the process of decision making and creating a more favorable climate is the creation of common standards or criteria which reflect your priorities and interests.

At present each application appears to be wide open for bargaining with relatively few rules to go by. As a result, where the terms finally agreed to are restrictive, the new investor is resentful; where they are more lenient, those who are subject to stricter provisions feel they have been unfairly treated. At best, much time is wasted in manipulation, bargaining, lobbying, etc.

Again let me turn to our own experience: During the war in America we found that one of the greatest savers of tempers, time and energy was the establishment by the federal government of clear, firm, fair standards which our businessmen could be persuaded to accept as the rules of the game.

B. A review of existing price control policies and machinery which will enable you to tackle specific shortages in the most effective way, i.e., to establish conditions which attract the necessary labor, skills and capital to the production of the items which are most necessary for national growth. (May I add parenthetically that I admire the courage with which you have established many of your import controls and your controls over free foreign exchange. If Latin American countries had shown half the courage and competence that India has shown in this particular field, the outlook for the Alliance for Progress would be vastly more encouraging.)

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C. The establishment of tax systems which distinguish in so far as feasible between the profits made from wasteful speculation, on the one hand, and those made from responsible enterprise which creates the jobs and the products which India so urgently needs, on the other. Although such legislation is not easy to draft, I am persuaded that until India makes this distinction the economic dynamism, which private enterprise should now be providing, may continue to be lacking.

This series of proposals for the release of India's vast economic potential is by no means inclusive. Other thoughts will have occurred to you and to others.

However, I am deeply persuaded that if you decide to move ahead with a carefully balanced program of this kind you can create within a matter of months a vastly increased sense of confidence throughout India, and in regard to India, and thereby lay the basis for a new surge of vigorous economic growth. One immediate effect will be greatly to increase the confidence of the members of the consortia who are providing fifty percent of India's foreign exchange and who are now concerned over the economic outlook.

May I add that if your own thinking does move in this direction I believe that we can bring to India this winter top representatives from some leading corporations in the United States who will seriously consider investing in India under the circumstances which I have described.

As you know, I deeply admire India's record of accomplishments since independence (indeed, I doubt any foreigner has done more to call these accomplishments to the attention of his countrymen). However, I believe that you are now approaching a crossroads; some of the impetus of the early years may be running out and bold steps must now be taken to release the almost unlimited potential of the Indian people and the world's largest free market.

These are my personal thoughts, confidentially expressed. I am hopeful we can talk about them before I leave for the United States.

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With warmest regards ,

Sincerely,

Chester Bowles

P. S. I am enclosing an unclassified memorandum which I wrote in August 1962 for the President and other officials in our Government dealing with our foreign economic assistance program.

In it I emphasized the need for clearer standards and criteria and outlined some specific recommendations. Based on these proposed criteria I placed India in a small selected group of nations which I thought were entitled to priority consideration in regard to United States assistance.

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