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CH 4, Sec 2a	Pakistan: Effective Economic Development open 4-15-97 NLJ 96-333 Secret [sanitized 7/31/84, NLJ 84-148]	17 pp	A
CH 4, Sec 3	India's Food Crisis, 1965-1967 open 2-20-90 NLJ 89-194 Confidential [sanitized 7/31/84, NLJ 84-148]	32pp 88x	A
CH 4, Sec. C	Regional Cooperation: Turkey Iran Pakistan Secret [OPEN 7/31/84, NLJ 84-227b]	19 pp	A
CH 4, Sec. D	The Indo-Pakistan Conflict Secret open 6-13-91 NLJ 91-52	25 pp	A

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Chapter 4

IV. THE NEAR EAST AND SOUTH ASIA

A. OVERVIEW

America's concerns -- its problems and its opportunities -- in the Near East and South Asia are as varied as the area itself, where nearly one-third of mankind lives in a mosaic of diverse race and culture. The area bridges three continents. Its development processes and security needs are interrelated with those of Europe to the west, the USSR to the north, Communist China and Southeast Asia to the east, and Africa to the south.^{1/}

A few generalizations can be made regarding characteristics common to all of the twenty countries of the area.

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- 1/ The Bureau of Near Eastern and South Asian Affairs has responsibilities for our relations with the following states: Greece, Turkey, Iran, Cyprus, Israel, United Arab Republic, Lebanon, Jordan, Syrian Arab Republic, Iraq, Saudi Arabia, Kuwait, Yemen, Aden, Afghanistan, Pakistan, India, Nepal, Ceylon, and the Maldiv Islands.

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Economically and socially, all are "developing countries" facing the basic problems of nation-building at one stage or another. By stretching definitions to include Greece, Turkey and Israel, all can be described as traditional societies in transition toward new patterns of modern nationhood. Throughout the area, the "warring sects" of great world religions have been a factor in both domestic and international affairs.

Although all NEA countries are "developing," their achievements and their prospects vary. Per capita GNP figures range from \$3000-plus in Kuwait, \$1500-plus in Israel, and \$750-plus in Greece and Cyprus to less than \$100 in the poorest countries. In the latter, substantial segments of the population are largely uninvolved in the money economy, while countries such as Israel, Greece and Cyprus have stronger economies than several European nations. Between the regional extremes lie such economies as those of oil-rich Kuwait and Iran, and that of Turkey, where balanced development has proceeded without benefit of a "bonanza" capital resource. By and large, the economies of the area are not strongly

complementary to each other, and intra-regional trade remains less important than trade with other regions.

Social transition in the area is even more variegated. It is obvious that the traditional culture of the Arab states, for example, differs profoundly from that of Greece or Nepal, or even from that of Turkey or Afghanistan. Further, modernization movements themselves have been highly individual. In the case of Turkey, the Ataturk revolution emphasized laicism and the Europeanization of many aspects of political and social organization -- a profound break with the past. The Pakistanis, on the other hand, are pursuing economic modernization while continuing to uphold traditional Islamic values in many areas of social life. Egypt and Turkey offer examples of political structures representing a revolutionary break with the past, whereas Iran and Afghanistan can be cited as cases in which traditional political structures have been changing through evolutionary processes.

The historical forces which have borne upon the area include the gamut of the great world religions -- Christianity,

Judaism, Islam, Hinduism and Buddhism -- and schisms within each of these. These have been central factors contributing to change and to stability, to order and to conflict. In the present era, we are prone to associate religious confrontations with conflict. Arab-Israeli enmities represent conflict between Muslim and Jew; Greek-Turkish rivalry has been colored by memories of earlier Christian-Muslim tensions; and the modern history of the India sub-continent has been in large part an extension of the centuries-old struggle between Muslim and Hindu. On a smaller plane, Shia-Sunni mistrust in Iraq and inter-communal strife in India and in Ceylon have been central factors disturbing trends towards real nationhood. In several instances (e.g., Pakistan), an established religion has been a key element in defining the ethos of a new nation. In Turkey, one of the most militantly laic states in the Free World, a sustained goal of the modernists has been elimination of the political power of religious institutions. While it is dangerous to try to interpret political behavior in the region solely in religious terms, an understanding of sectarian

factors is always essential.

American Interests in the Near East and South Asia

If it is possible in Africa or Latin America to recognize certain parameters of American interest that operate across whole continents, the case in this area is quite a different one. Many of its problems can only be examined on a country-by-country basis. Broader generalizations can be made concerning a number of sub-areas, some of them overlapping.

At the outset of the period covered by this history, the Bureau of Near Eastern and South Asian Affairs was organized on a regional basis. The Office of Near Eastern Affairs dealt with Israel and the Arab world from Egypt to Oman and from Yemen to Syria. The Office of South Asian Affairs dealt with the three countries of the Indian sub-continent plus Ceylon and Afghanistan. The Office of Greek, Turkish and Iranian Affairs (to which Cyprus affairs were attached in 1960) was, as the name implies, a bureaucratic unit which did not

correspond to a natural geographic one.^{2/} Both the diversity of the area as a whole and some of the elements linking two or more countries into definable regional groupings were partially obscured by this organizational pattern.

The Arab states present certain common characteristics, and in fact perceive themselves as a unity. In addition to their cultural similarities and common intra-Arab political concerns, all share some degree of enmity toward Israel, which in spite of its phenomenally different cultural and economic situation sits in their midst and inheres to the region. US interest in Israel -- an interest which transcends the imperatives of realpolitik -- thus infuses our interest in the whole group and in its stability. In addition, the only major economic asset of international importance is petroleum, which is produced in several Arab states and constitutes a near-vital resource for several of our allies

^{2/} Elsewhere in this history reference is made to the organizational reform effected on July 1, 1966, at which time these three Offices were broken into ten smaller, more coherent units termed "Country Directorates."

in Europe. Apart from oil, the Arab region is a strategic unit as the nexus of three continents.

Greece and Turkey, for all their cultural differences, also constitute a single focal point of US policy attention. Together -- and inseparably -- they have constituted the critical southeastern flank of the NATO era. The association of both with the European Economic Community is an aspect of their struggle to strengthen the economic base which underlies their political activity in the family of western nations. And, to the danger of the region and the whole Free World, they were pitted against each other during the period 1963-68 by their conflicting positions regarding the future of Cyprus.

On another plane, the combustion of the Cyprus dispute enlarged the Greek-Turkish grouping to include the island republic which attained independence in 1960. While Cyprus has strategic importance to the United States and to our British ally, it was more prominent in these years as an element in the 150-year-old problem of stabilizing the political outlines defining the respective realms of Hellene and Turk.

The sub-area informally known as "the Northern Tier" was originally conceived as embracing Turkey, Iran, Pakistan and Afghanistan. However, only the first three of these states participated significantly in the sort of regional cooperation which is implied by the concept of a "Northern Tier" grouping. Originally the principal unifying element was the common requirement for security vis-a-vis the USSR, but in later years common problems relating to development became the paramount interest of the grouping.

While there are complex interrelationships among the five states formerly dealt with in the Department by an Office of South Asian Affairs, none of the major foreign policy problems of the United States during the period 1963-68 were problems of the whole grouping. Neither the affinities nor the contentions between Afghanistan and Pakistan were dramatically manifest. India-Pakistan rivalry was the main factor linking the two in the thoughts of outside observers. While both Nepal and Ceylon were closely related to India as more-or-less client states, there were few contexts in

which it was operationally useful for the United States to regard the three as a grouping.

US Policies

At the broadest levels of generalization, it can be said that the main themes of American foreign policy stood as starkly in relief in the Near East and South Asian region as anywhere else in the world. There, as elsewhere, we sought to find alternatives between over-involvement and isolation, to encourage genuine independence, nationalism, and development as blocks to influences incompatible with our interests, and to enliven indigenous initiatives in regional cooperation towards constructive objectives. There as elsewhere, we have sought cooperation in security efforts in the interests of ourselves, the region, and the Free World generally.

While these themes recur, it would not have been possible to define in detail an area-wide program in terms of them. For example, only in the "Northern Tier" sub-area was there an opportunity to lend broad encouragement to a new regional cooperation effort. In the Arab Near East, we were able to

encourage limited cooperation among the moderate states, but political rivalries and conflicts of interest made any significant regional cooperation, except in anti-Israel efforts, impossible. In the Greek-Turkish sub-area and on the Indian sub-continent, our concern has been to avoid regional conflict, which has been more in prospect than any immediate possibility for large-scale regional cooperation.

The history of the State Department's stewardship during the years 1963-68 is only in part a thematic story of broad programs affecting the bulk of the region. True, there is the story of encouragement of regional cooperation among Turkey, Iran and Pakistan. There are stories of development progress in India, Pakistan and Iran -- the list could have been longer. But the currents of history in the region itself have been too rapid to permit the history of the US relationship with the area to be a mere survey of economic, technical and military assistance or of conventional diplomacy.

In an area comprising twenty burgeoning states, of which all but two became fully independent nation-states within the

past fifty years, a larger part of the history naturally consists of the US response to the recurrent crises and revolving problems that attend the process of nation-building. There is the story of the 1967 "June war" between Israel and neighboring Arab states. There is the story of how we coped with a deviation in Greek constitutional development. There is an account of the Jordan Waters dispute, and of the smothering of imminent threats of war over Cyprus. And there are narratives of our handling of anomalous situations in the United Arab Republic, in Yemen and in the Persian Gulf. All of these, as detailed below, highlight the wide range of US foreign-policy involvement in a crucial area of the world during the Johnson Administration.

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B. UNITED STATES SUPPORT FOR NATION-BUILDING

One of the most effective displays of United States policy-aims and methods during the middle and later 1960s was the way in which we planned and applied our material assistance to the key independent countries of the Middle East. In differing ways, the progress achieved by such large and populous nations as Iran, Pakistan and India -- despite many ups and downs -- testified to the soundness of the US approach.

1. Iran, an Economic Success Story

a. Background

During the five-year period of this history, the economy of one of the United States' staunchest friends in the Middle East was surging forward. Between 1963 and 1968 Iran's Gross National Product rose at an average rate of 7 percent per year to a total of \$6.9 billion in

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March 1968. The nation's per capita GNP grew during the same time from \$215 to an estimated \$263 per annum.^{1/}

Iran's progress was one of the notable success stories of the period.

These Iranian achievements were of high importance to the United States. Populous, rich in resources and strategically situated astride the pathway of Russia's traditional expansionist ambitions, Iran is an important link in the chain of Free World security and a test case for the proposition that developing nations can reach their goals in association with the West. The rapid evolutionary progress of this Middle Eastern nation voided Khrushchev's confident prediction of revolution -- that Iran would inevitably "drop like a ripe apple" into the Soviet lap.

Importantly for US interests, this growth was not merely economic, but rather was accompanied by social reforms

1/ Overseas Business Reports of the Department of Commerce: "Market Factors in Iran", December 1963, and "Basic Data on the Economy of Iran", July 1968.

affecting land tenure, education, health, the status of women, industrial cooperation and government administration. Increasing prosperity assisted in the maintenance of political stability, a stability which in turn stimulated the confidence of private investors, both domestic and foreign, in Iran's future.

Iranian progress made it possible for the Government of Iran to play an increasingly important role in stabilizing the international political situation in its part of the Middle East. From a donor-client relationship, the country emerged in its relations with the United States to the position of independent but staunch friend.

The growth and progress of the period 1963-68 was, of course, essentially an Iranian accomplishment. US policy nevertheless made an important contribution. Although it was not the operating agency of the United States Government for most of the American economic and technical assistance programs in Iran, the Department of State played a facilitating and

coordinating role in carrying out these programs. Its role increased steadily during the 1963-1968 period, as the United States' donor role gave way to more traditional diplomatic exchanges.

b. Encouragement of Iran's Economic Progress

Most important among the tasks of the Department was that of insuring that no suitable opportunity should be lost for encouraging Iran in its pursuit of economic progress and, where warranted, insuring that recognition of this progress be given. The usual and most effective means of performing this task were the numerous high level meetings that took place and messages that were exchanged during the period under consideration.

During the first days of his Administration, President Johnson wrote to the Shah recalling the visit he had made to Iran, as Vice President, in 1962:

Since my own trip to Iran I have followed with great interest the strides Iran is making under your leadership toward a new birth of freedom and justice in your

ancient land. In freeing the energies of Iran's peasantry and laborers, as well as the women, you have taken a difficult and courageous step.^{2/}

This kind of encouragement and support for the Shah's reform program was given frequently. It formed the keystone of subsequent exchanges and conversations. The closeness of personal relations between the Shah and the President lent it weight. It is worth noting that after the then Vice President's brief meeting with the Shah in Washington in April 1962 and at Tehran in August of the same year, as President he received the Shah in Washington in June of 1964, August of 1967, and June of 1968. Letters were frequently exchanged in the interim between these visits, and when the Shah was briefly in New York in May of 1965 he and the President spoke by telephone.

The Shah's official visit to Washington of August 22-24, 1967, presented an exceptionally opportune occasion to review Iran's economic and social progress. At the White House

^{2/} Quoted from Department of State Telegram 469 to Tehran, January 3, 1964 (Limited Official Use).

arrival ceremony on August 22 the President, after referring to Iran's growth in gross national product and Iran's progress in social programs, stated: "Iran is a different country now from the one that we saw in 1962. The difference has sprung from Your Majesty's dedicated inspirational and progressive leadership."^{3/}

c. US Military Assistance

From the early 1950s it was US policy to assist Iran in its military preparedness, in keeping with our desire that Iranian military modernization should enable that country to insure its own internal and external stability. Iran, for its part, was the site of important US communications and other strategic facilities. This military relationship was critical in the relations of the two countries. We continued to count on Iran's strength and cooperation in our own calculations of United States security.

^{3/} Quoted from The Department of State Bulletin of September 18, 1967, p. 358 (Unclassified).

Inherent in this policy were two problems that became more prominent in the 1963-1968 period: to prevent Iran's overreaching itself in military expenditures to the detriment of economic and social progress, and yet to insure that Iran's increasing prosperity and ability to finance its own military establishment was taken into account in our assistance calculations. In dealing with both of these problems the Department of State took a leading role.

In a letter to the Shah dated March 19, 1964, President Johnson said frankly of the first of these problems: "Let me urge on you the equal importance of a dynamic and buoyant economy." Further on he reminded the Shah of Iran's own stated goals: "Meanwhile, we trust that Iran will continue to do its best to live up to its very difficult tasks under the Five-year Plan."

A most important document for understanding and demonstrating the various strands of policy that have constituted the Iranian-US military relationship and the changing nature of this relationship in light of Iran's economic growth was

the Memorandum of Understanding of July 4, 1964. This Memorandum reflected our decision to move from grant aid to credit sales. Two of its statements provide a key to American policy: (1) "In view of the improved financial situation of Iran and the need for modernizing Iran's military forces on a long range basis, the two Governments agree to an additional program of mutual defense cooperation," and (2) "The Imperial Government of Iran also undertakes to assure that its program of military purchases will not cause undue strain on the nation's foreign exchange reserves or jeopardize plans for the nation's economic and social development."^{4/}

The details of this Memorandum provided for a mechanism to pursue in future years the question of the relationship between Iranian military expenditures and the domestic economy. It required that at intervals not less frequent than once a year "A ranking representative designated by the Imperial

4/ Memorandum of Understanding between the United States Government and the Imperial Government of Iran, signed in Tehran on July 4, 1964. Sections II and III. ~~(Confidential)~~

Iranian Government will meet with the United States Ambassador to Iran . . . to review the progress and execution of this understanding and its relationship to Iran's economic and social development program."^{5/}

The first of the annual reviews thus provided for took place in the spring of 1965. During this period the American Ambassador, Armin H. Meyer, used several occasions to impress upon the Shah the importance of economic development. This led to some lively exchanges as together they pored over such details as the Central Bank of Iran's economic projections,^{6/} and the Shah was led to express his opinions of economists speaking ex cathedra.^{7/} It was also during this period that the Shah made clear that a major preoccupation was the defense of the Persian Gulf, a consideration which subsequently loomed even larger in his thinking.^{8/}

^{5/} Ibid.

^{6/} From Tehran, Telegram 1359, June 3, 1965 (~~Confidential~~).

^{7/} From Tehran, Telegram 1450, June 18, 1965 (~~Confidential~~).

^{8/} From Tehran, Telegram 1205, April 27, 1965 (~~Confidential~~).

Beginning in the fall of 1965 and lasting until the late summer of 1966, the United States engaged in a new and major military negotiation with Iran. This culminated in an amendment to the 1964 Memorandum, agreed upon on August 20, 1966. During these negotiations the United States once again insisted on the inclusion of statements regarding the need to insure economic progress along with military preparedness. The Shah clearly resented what he regarded as "Iran's being treated as a colony."^{9/} At several points critical tensions between the two governments arose from this issue, but determination on both sides to work toward a mutual understanding eventually produced agreement. The principle of economic review was maintained, and when the President wrote to the Shah in April 1966, he made his expectations clear: "Ambassador Meyer has informed me that he expects to receive soon from your government the economic data needed for the Annual Review. Once both military and economic data are in

^{9/} From Tehran, Telegram 609, October 16, 1965
(Confidential).

hand and have been analyzed, I believe our two governments should be able to reach a prompt conclusion as to our future military cooperation."^{10/}

Again during the spring of 1967 the annual reviewing process provided an additional dimension in considering Iran's military hardware requests, stated requirements which threatened to grow even faster than the country's phenomenally growing revenues from oil. Later in the year Iran's increasing concern over its defense posture in the Persian Gulf caused the Government of Iran once again to request an increase in military credit sales. (The United States Military Assistance Program of grant materiel aid had steadily been decreasing since 1964 and was expected to be ended completely by the 1970 fiscal year.) The British announcement in January of 1968 that they intended to remove their troops from the Persian Gulf area by 1971 lent impetus to Iran's initiative.

^{10/} President Johnson's Letter to the Shah of Iran, April 11, 1966 (~~Confidential~~).

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Nevertheless Iran's economic capacity and needs were most carefully weighed in considering a US response to these developments. At an Inter-Departmental Regional Group meeting of April 5, 1968, "The IRG devoted considerable attention to the question of Iran's economic situation and its ability to finance a major program of military reinforcement." The IRG agreed, regarding a five-year projection of possible US-Iranian military cooperation, that, "The balance between economic progress and defense outlay will continue to be a prime factor in our consideration of Iran's specific request for arms each year."^{11/}

This careful approach to our military relationship with Iran, ensuring that economic factors would not be left out of consideration, also characterized US advice given to the Iranians regarding specific problems of equipment choices, placement, tactics and military administration. The Department of State has also contributed frequently to political and economic analyses that have a part in military preparedness plans and studies.

^{11/} Interdepartmental Regional Group for the Near East and South Asia: IRG/NEA 68-16 of April 5, 1968 (~~SECRET/LIMDIS~~).

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d. US Economic Assistance

In recognition of Iran's economic viability, direct economic assistance to Iran under the United States Foreign Assistance Act came to an end on November 30, 1967. United States assistance began in 1952 and, before its termination, had provided a total of \$605 million in aid, \$225 million of this in repayable loans. American aid had helped finance such vital public projects as a 2,500-kilometer highway system from the Persian Gulf to the Caspian Sea, a master electrification program, water and power development under a new ministry established for the purpose of working with the United States on these programs, a new port at Bandar Abbas, a national airline, and modern airport facilities. US aid had helped Iran establish an agricultural extension service, a hydrographic program, a locust and pest control service, a booming poultry business, and a livestock improvement program. It had trained large numbers of Iranian technical experts and, through cooperation with Iran's educators, had

spawned new schools, improved existing ones, and upgraded the quality of Iranian instruction.

A striking indication of the role of the AID program in Iran was provided by the fact that in 1968 the Ministers of Foreign Affairs, Finance and Interior were former AID local employees in Iran.

Separate but related programs instituted under Food for Peace (PL-480) had provided Iran between 1954 and 1967 with \$122 million in surplus United States food commodities. Also of great importance to Iran from its inception there in 1962 was the US peace Corps. The Corps was a leavening element particularly in Iran's provincial centers and rural towns, areas which had remained distant from and to a high degree unaffected by the winds of change. By the summer of 1968 Peace Corps strength had grown to a planned "force level" of 260 volunteers, working in such diverse fields as university and secondary education, agriculture, urban public works, and hygiene instruction.

It in no way detracts from the achievements of the AID administrators and technicians and of the Peace Corps volunteers and their leadership to note that the Department of State in Washington and Foreign Service employees at our Embassy in Tehran contributed to the work of these other agencies. Ambassadors in Iran and State Department members of their Country Team worked closely with their AID colleagues in program review and administration; and although the Peace Corps zealously guarded its separate identity, its work in Iran would not have been possible without close collaboration with the American Ambassador in initiating programs and administrative arrangements. In Washington, AID's relationships with State during this same period involved constant exchanging of information, points of view, initiatives, and shared objectives.^{12/}

^{12/} Background Information: Completion of US Foreign Aid to Iran, Agency for International Development, November, 1967.

e. The Private Sector

Again, it was Iran's increasing prosperity and economic-political viability, proceeding from a combination of increasing oil revenues, increasing wisdom in public policy, and Iran's having reached a stage of "pay-off" from previous inputs of United States assistance, that brought with it an altering role for the Department of State in the pattern of Iranian-US relations. Into this process of circular causation the Department sought to insert means of continuing a high degree of United States involvement in Iran's growth process. Enlisting the support of the private sector of our own economy, or of facilitating a continuing or increasing participation of private sector entities, was a way of doing this.

Although it is of course an agency of the United States Government, the role of the Export-Import Bank as the financier of United States products, including equipment associated with private investment, has been such that an account of its Iranian operations should logically be included

as "private sector" activity.

The impetus given to Iran's development efforts through AID's technical and capital assistance programs made it possible for US assistance on concessional terms to be largely phased out by mid-1968. To meet its continuing requirements for external resources to expand its infrastructure and build up its productive capacity, Iran increasingly shifted to conventional sources of financing, which it was able to do thanks to its enhanced debt service capacity resulting from substantially increased oil revenues. This trend was evident from the volume and character of long-term direct financing extended to Iran by the US Export-Import Bank. Between 1955 and 1961 Eximbank made available \$70.8 million in loans, while between 1963 and mid-1968 the amount was increased to \$173.0 million.

In the earlier years, Eximbank assisted Iran in dieselizing its railroads and in establishing a modern, nationwide road maintenance system. It also assisted in providing a sizeable

stabilization loan in 1960. In contrast, the more recent loans were authorized for the following purposes: \$73.1 million for two large petrochemical enterprises, \$10.0 million for a pipe-making plant, \$18.6 million for Iranair's four Boeing 727 jet aircraft, \$58.8 for two large power stations, with a combined capacity of 560 mw. for Tehran, and \$12.5 million for additional railroad and road maintenance equipment.^{13/}

In addition to these direct loans, Eximbank also provided guarantees or insurance covering some \$50 million of US exports to Iran between 1962 and mid-1968, most of which was purchased by private Iranian businessmen.

It is worth noting that the power credits mentioned above were extended following the successful efforts of the Agency for International Development to induce Iran to plan a rational, nationwide power development program. They were given impetus by the Shah's stating his hope for combined AID-EXIM power

^{13/} "Iran: U.S. Economic Assistance" (Graph prepared in NEA/IRN and AID/NESA in connection with the Shah's June 1968 visit to the United States).

development efforts when he met with Export-Import Bank officials and other financiers during his visit to Washington in June 1964.^{14/}

The Department also attempted, when such help seemed necessary, to act as a "friend between" in negotiations between Iran and the Consortium of Western oil companies which provided Iran with the greatest part of its wealth and in which United States companies formed a 40 percent participation-bloc. For example, when Governor Harriman visited Tehran in November of 1966, just a month after the Iranian Government had presented the Consortium with a series of demands that the operating companies found very difficult to satisfy, Harriman urged the Shah personally not to repeat "the 1951 tragedy." Governor Harriman also commented that he was gratified that the Shah had taken steps to avoid further public discussions of the oil problem so that an atmosphere most conducive to reasonable negotiation could

^{14/} To Tehran, Telegram 5546, June 9 1964
~~(Confidential).~~

prevail. ^{15/}

Similarly, in 1968 an impending collision between the Consortium and the Iranian Government was at least in part averted through the ameliorative efforts of the Department. The kind of role diplomacy can usefully play in such a transaction was demonstrated by Ambassador Meyer's willingness to allow his own political assessment of the Shah's frame of mind on oil matters to be transmitted to oil company officials. ^{16/} When the Under Secretary of State for Political Affairs, Eugene V. Rostow, visited Tehran in February he too demonstrated the usefulness of the Department's "good offices," in this case through a reasonable assessment of the importance of proposals made just before by the Consortium as a part of the bargaining process. ^{17/}

Throughout both crisis periods of 1966 and 1968, and frequently in between, innumerable exchanges took place in

^{15/} From Tehran, Telegram 1964, November 2, 1966
~~(Secret)~~.

^{16/} From Tehran, Telegram 2941, January 19, 1968
~~(Confidential)~~.

^{17/} From Tehran, Telegram 3258, February 9, 1968
~~(Secret)~~.

Tehran, London and Washington between such various participants in the oil negotiating process as Consortium officers, officials of participating oil companies, British Foreign Ministry and US State Department officials, and members both of the Iranian Government and of the National Iranian Oil Company. The Department fulfilled a facilitative, consultative and occasionally advisory role in these exchanges; and the fact that there was no break either in the production of oil or in the oil negotiations suggests that this role was useful. Between 1963 and 1968 Iran's oil income rose from \$388 million^{18/} to earnings of some \$865 million that were "committed" during 1968 negotiations by the Consortium for payment during the Iranian year 1347 (March 21, 1968 - March 20, 1969).^{19/} American oil companies likewise profited.

The stimulation of American private investment in Iran also occupied the Department's attention during these years

^{18/} Role of the Oil Industry in Iran's Economy, published by the National Iranian Oil Company in connection with the Shah's Coronation in October, 1967, Statistical Table VI.

^{19/} From Tehran, Telegram 4270, April 21, 1968 (~~SECRET~~).

in which Iran's greatly improving economy and political viability were making the country an increasingly attractive place for this. Although these activities were continuous and took place both in the United States and in Iran in the form of numberless interviews and associations with representatives of American industry and finance, it was the Shah's visit of August 22-24, 1967, which offered a particularly useful moment at which to concentrate these efforts.

As was stated in a briefing paper prepared in connection with this visit: "It is an important element of our national policy to preserve for United States industry an appropriate share of the growing commercial market in Iran for both capital and consumer goods. This is a market which we have helped to develop through our extensive economic assistance. Moreover, as we terminate this assistance we become increasingly dependent upon partnerships of private American companies with the Iranian Government and private Iranian citizens as a means of preserving American presence and influence in key

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undertakings in the Iranian economy The total value of US commercial investments in Iran, including petroleum, is now approximately \$300 million".^{20/}

When it appeared that the Shah would visit Washington in mid-June, plans were laid to bring him into contact with American business and financial leaders on a suitable social occasion. The June war between Israel and her Arab neighbors caused the Shah to postpone his visit, and in re-scheduling events for an August trip to Washington it was decided that Ambassador-at-Large W. Averell Harriman's long and close associations with the Shah and his position of leadership in this country made him the most suitable host for presenting His Majesty to the business community.

Governor Harriman accordingly was host at a stag dinner on the evening of August 23, 1967, attended by the Shah and several members of his official party as well as by Secretaries

^{20/} Background Paper: "U.S. Private Investment in Iran," prepared in NEA/IRN as one of several papers used in connection with the Shah's August of 1967 visit. ~~(Confidential)~~.

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Udall, Trowbridge and Freeman of the Departments of Interior, Commerce and Agriculture, seventeen executives in the fields of banking, agricultural produce, petrochemicals and others, and several other US Government officials having an interest in Iran's business development. The dinner offered the Shah the desired forum for describing Iran's economic progress and Iran's goals, and his remarks were applauded.^{21/}

f. Other Aspects of US Cooperation

As noted above, the 1963-1968 period was one during which Iran's increasing prosperity brought about far-reaching changes in relations between that country and the United States. The closing of our AID Mission to Iran on November 30, 1967 was both a symbolic and a concrete recognition of these changes. While the Department of State had played largely a consultative, collaborative and facilitative role during a period when large inputs of assistance were channeled through

^{21/} Department of State Telegram 27532, August 26, 1967 (~~Secret~~).

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other, well-established US agencies, the Department was challenged and brought closer into the foreground as new means were sought to continue close relations with Iran. One of the problems was that of demonstrating continuing interest in Iran's economic and social progress in the absence of direct aid. Cooperative devices were needed to which both the United States and Iran could contribute.

Cooperation in scientific and technological endeavor offered one such device, and advantage was taken of this. Already in existence was an agreement between the two governments for the civil uses of atomic energy, signed in Washington on April 27, 1957, and amended and extended in 1964. (A further extension and amendment was drafted by the Atomic Energy Commission in September of 1968 for subsequent presentation to and renegotiation with the Iranian Government.)

When the Shah visited Washington in August 1967, he discussed with President Johnson the possibilities for United States cooperation in the field of water resources. As noted

in the Joint Statement resulting from the visit, "President Johnson assured His Majesty that the United States Government stands ready to share the technology it has developed so that adequate water may be available to meet Iran's needs."^{22/} An agreement for conducting joint water resources studies was formally signed in Tehran on March 19, 1968, by Ambassador Meyer and Iranian Water and Power Minister Rouhani; and a three-man team named from the Department of Interior subsequently left for a study tour in Iran.

A more open-ended program for scientific cooperation was formalized by an exchange of letters in May 1968 between Ambassador Meyer and Prime Minister Hoveyda.^{23/} For the United States the Smithsonian Institution was designated Executive Agency for carrying on the work of the agreement, and when the Shah visited Washington later in the year

^{22/} Quoted from the Department of State Bulletin of September 18, 1967, page 361. (Unclassified).

^{23/} Letter from the American Ambassador, Armin H. Meyer, to the Iranian Prime Minister dated May 23, 1968; Letter from Iranian Prime Minister Amir Abbas Hoveyda to the American Ambassador dated May 27, 1968. (Unclassified).

Dr. S. Dillon Ripley, the Institution's Secretary, called on him at Blair House on June 12 further to discuss cooperative possibilities. For Iran the Ministry of Science and Higher Education was named the Executive Agency. A beginning effort, the full implementation of this agreement in principle offers a challenge in the months ahead.

On an ad hoc basis, the Department tried to take advantage of training opportunities for Iranians in this country as they arose or as they were requested. The format of these programs remained that of United States training facilities on a cost reimbursable basis unless other means were found for funding.

g. Conclusion

Only a relatively small segment of Iran's recent history has been dealt with above. Iran's startling progress during the period in question had deep roots both within the nation itself and within policies of the United States dating at least from the years of the Truman Administration. Similarly, the sum of United States efforts in Iran was greater than the

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sum of the various roles and activities that went into these efforts. Interchanges of ideas and techniques among Iranians and among Americans dealing in Iran had great impact, and these networks of communication in turn had a kind of multiplier effect as ideas for change left the offices and administrations in which they were born and became visible in areas outside Tehran and Iran's provincial capitals.

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2. Pakistan: Effective Economic Development

a. The US Interest

For US policy, Pakistan has long been a key country. As one of the world's two largest Moslem nations, with unusually effective armed forces and a geographic location of major strategic importance, Pakistan's friendship and strength have been recognized as of great significance to our overall policy aims in the Middle East. With its geographic and cultural links to both the Middle East and South-east Asia, it is potentially capable of exerting a beneficial influence all the way from Turkey to Indonesia. Hence a fundamental, long-range US policy objective has been the maintenance of the independence, stability and economic integrity of Pakistan.^{1/}

At the beginning of the Johnson Administration the basic aims of this policy were being achieved, but there was a

^{1/} Department of State, National Policy Paper: Pakistan, November 3, 1964 (Secret/NOFORN).

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certain amount of recent strain in US-Pakistan bilateral ties arising from the increasingly close relations that the Government of Pakistan was developing with the Communist Chinese. President Johnson, who had a special interest in Pakistan growing out of his 1961 visit there when he was Vice President, expressed the US disquietude in a meeting of November 29, 1963, with Pakistani Foreign Minister Bhutto.^{2/} In their conversation the President remarked that he was a friend of Pakistan and would try to continue to be one if Pakistan would let him. This was becoming increasingly difficult, he said, because of Pakistan's growing relationship with Peking, particularly as shown in the impending state visit to Pakistan of the Communist Chinese leaders Chou En-lai and Chen Yi. The latter visit had been noted by many members of our Congress, including some of the strongest Congressional supporters of Pakistan. These supporters were at the same time among the most opposed to Communist China, and as a result the Administration

^{2/} Memorandum for the President: Meeting with Pakistani Foreign Minister Bhutto, November 29, 1963 (Secret).

was having a difficult time keeping our alliance with Pakistan strong and our foreign aid program going.^{3/}

The Pakistani flirtation with the Chinese was largely the result of the 1962 Chinese attack on India, one result of which was immediate US military assistance to India. The Government of Pakistan felt that some type of closer relations with Communist China was necessary to counteract the augmented Indian military capability, which they alleged was directed against Pakistan.

The United States position was that our military assistance to India was for the purpose of aiding in preventing further Chinese attacks and was not to be directed against Pakistan.^{4/} In addition, US military assistance to Pakistan continued.

Economic relations were not as strained as the political. Pakistan was at the mid-point of her Second Five Year Plan (1961-1965). There were many successful highlights of this

^{3/} To Karachi, Telegram 00559, December 2, 1963 (Secret/LIMDIS).

^{4/} Department of State Press Release No. 683, November 17, 1963 (Unclassified).

and the preceding First Five Year Plan, but other social and structural difficulties were blunting the effectiveness of the development efforts. This was reflected in a virtual absence of growth in per capita income, attributable to two principal factors -- the discouraging performance of the agricultural sector which contributed over half of the Gross National Product and employed almost 75 percent of the labor force, and the rapid growth of population, which was increasing twice as fast as agricultural output. The following figures ^{5/} illustrate the spotty economic growth.

Such growth as had taken place was the result of a Government of Pakistan development strategy which sought maximum aid absorption through substantial investment in the monetized

5/ Selected Growth Rates FY 1963

FY 1960 = 100 (Constant Prices)

GNP	116
Manufacturing	136
Agriculture	109
Population	106
Per Capita Income	107

(From AID Statistic Fact Book - Pakistan - 1968)

sectors, primarily concentrating on heavy industry in a drive for industrial self-sufficiency and reduced reliance on imports. This contributed to some of the structural difficulties, as plants were built without markets or foreign exchange requirements in mind. Other basic problems included an over-valued rupee, which led to artificial competition from foreign goods; poor quality of the domestic manufactured products; inferior product design; insufficient technical personnel; and often contradictory tariff structures. The multiplicity of Pakistan's economic problems was such that no single economic policy decision, such as an inflationary fiscal policy, would solve them.

In October 1963, we considered the requisites for Pakistan's development to be: (1) population control, (2) human resource development, (3) development of civil administration, (4) agricultural development, (5) increased savings and taxes, (6) exchange rate adjustment and trade liberalization, and (7) public order.^{6/}

^{6/} AID Long Range Assistance Strategy, Pakistan, 1963 (Secret).

b. The Five Year Plans

It was at about this time, mid-way through the Second Development Plan, that economic indices began to move sharply upward and to exceed the expectation of the Plan itself. Gross national product at current prices jumped from \$8.5 billion in FY 1963 to \$10.1 billion in FY 1965. The important agricultural output increased from \$4.1 billion in FY 1963 to \$4.6 billion in FY 1965.^{7/} There were a variety of reasons for the increases, but greater domestic political stability, a more pragmatic approach to development with greater emphasis on agriculture as encouraged by President Ayub, and an effort to consolidate previous gains and to concentrate on the weak points in the economy were the most important.

Hence the Second Five Year Plan was completed in June 1965 with notable success. GNP had risen, over the five years, at an average annual rate of 5.2 percent; industry at a rate of 8.6 percent; agriculture at 3.5 percent; and exports at 7 percent.

^{7/} AID Statistical Fact Book, Pakistan, 1968
(Unclassified).

Performance in each key sector exceeded targets with Pakistan's pragmatic development policies resulting in good use of external assistance as well as domestic resources.

The achievement of the Second Five Year Plan had been so solid that an overall yearly growth of 6.5 percent was considered possible during the Third Five Year Plan (1965-70). The original plan forecast a total development expenditure of \$10.9 billion or about double the amount of the Second Plan. It called for external aid commitments totaling \$2.9 billion over the period 1965-70, exclusive of P.L. 480. This level of assistance was well above the Second Plan figure, but reliance on external aid (excluding P.L. 480) was to decline from 38 percent of total investment under the Second Plan to 32 percent under the Third.

The achievement of the Third Plan targets would require a determined and sustained effort, including the increasing availability of essential agricultural inputs, particularly water, fertilizer, and pesticides, and the assumption by the private sector of a larger role in the distribution of the

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inputs of production. The Plan called for an expansion of agricultural credit and an acceleration of the import liberalization program. In the area of human resources, the Government of Pakistan was to give continued attention to population control, education -- particularly the development of skilled manpower, and employment policies. Basically, these policies attacked the weakness previously cited by AID as impediments to development.

c. US Suspension of Assistance

To support the first year of the Third Plan (1965-66), Pakistan requested a pledge of \$500 million from the consortium of countries providing development assistance to Pakistan. The pledging session for FY 1966 had been scheduled for July 1965, but it was postponed until September by the World Bank after the United States informed the Bank that we would be unable to pledge pending enactment of the foreign aid legislation. Because of the India-Pakistan hostilities the Bank concluded that an effective meeting could not be held in September. The Bank noted in postponing the meeting that

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the fighting was likely to affect the economic resources and plans of both India and Pakistan and that a reassessment of requirements would be necessary.

Soon after the India-Pakistan fighting intensified in September 1965 Secretary Rusk announced that the Administration would consult with appropriate Members of Congress on the situation in the subcontinent before making any new economic aid loans or grants.^{8/} We had not yet made assistance offers to Pakistan during FY 1966 and this announcement effectively precluded any new commitments until the situation was stabilized. However, US economic aid which was already in the pipeline, amounting to over \$200 million, continued to flow.

The hostilities resulted in some economic dislocation. This was primarily the result of increased emphasis by Pakistan on defense spending, and of the disruption of trade and the withholding of new US assistance, all of which tended to depress the domestic economy and to place heavy pressure on

^{8/} Department of State Telegram 03524 to Karachi, September 8, 1965 (Confidential).

Pakistan's foreign exchange reserves. Further foreign exchange losses resulted from a prolonged drought which decreased foodgrain production and in the absence of new P.L. 480 commitments made commercial foodgrain purchases necessary on the world market. These factors generated considerable pressure for changes in Pakistan's development planning.

Accordingly, the Government of Pakistan initiated a review of the Third Plan. Actual expenditures during the first year of the Plan (1965-1966) were about 21 percent below expectation. The shortfall was largely in the public sector where resources were adversely affected by both the reduced amount of foreign assistance and the larger defense expenditures. In May 1966 the National Economy Council of Pakistan decided that the size, objectives and main targets of the Plan should remain unaltered, but that sectoral allocations and priorities should be revised. These inter-sector adjustments based on a revised order of priorities did not significantly change the Plan's targets. The main objective of the revision of priorities was to secure the desired acceleration of the growth

of the economy with a lower level of total investment. This was to be achieved by concentrating on agriculture, by more fully utilizing installed capacity, and by postponing or reducing import-intensive or capital-intensive investment.

d. Resumption of US Economic Assistance

The United States resumed economic assistance to Pakistan in a multi-stage program designed to secure peace in the sub-continent in support of the UN Security Council resolution of September 20, 1965 (which called for a ceasefire and India-Pakistan negotiations on Kashmir), and a bilateral understanding with Pakistan on what would constitute "correct relations" with China.^{9/}

President Johnson implemented the first stage of this plan. Following President Ayub's December 1965 visit to Washington, the President informed Ayub by letter that the United States would proceed with five pending program loan agreements.^{10/} The second stage was implemented by Vice

^{9/} Department of State briefing paper No. 15 prepared for the Ayub-Johnson meeting of December 1965 (CONFIDENTIAL).

^{10/} President Johnson's December 17, 1965, letter to President Ayub (CONFIDENTIAL).

President Humphrey during his February 1966 visit to Karachi. At a meeting with President Ayub, the Vice President offered to reopen and recommit an economic commodity loan for \$50 million.^{11/} This loan was to be from funds committed but not obligated prior to the India-Pakistan hostilities. In offering the assistance, the Vice President stressed the need for implementation of the Tashkent Agreement between Pakistan and India and a reduction in both Pakistan and Indian defense expenditures.

In late April 1966 Finance Minister Shoaib of Pakistan visited the United States. During this visit, extensive talks were held on the resumption of aid and our conditions for that resumption. The President emphasized to Shoaib the difficulty in justifying a large-scale aid program when there was danger of another India-Pakistan war, and pointed out the US domestic political problems caused by Pakistan's relations

^{11/} Memorandum of Conversation - Vice President Humphrey, President Ayub and others, Karachi, February 15, 1966 (Secret).

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with China. ^{12/}

As a result of these talks and the Pakistani response to our conditions, a Memorandum for the President was submitted in late May 1966 recommending the further resumption of aid with certain conditions. ^{13/} On June 6, 1966 Ambassador Locke was authorized to inform President Ayub that the United States was prepared to resume economic aid along the lines of the "Aid Bargain" despite our disappointment at Pakistan's continuing efforts to expand its armed forces, partly through procurement from Communist China.

The renewed aid was to be provided with the understanding that we, inter alia, would expect tangible, continuing evidence that Pakistan (1) would adhere to a course of moderation and negotiation with India; (2) would assure a downward trend in its defense spending; (3) would continue to demonstrate appreciation of US interests in Asia; (4) would indicate in its FY 1967

^{12/} Memorandum to the Secretary of State: The President's Talk with Pakistan Finance Minister Shoaib, April 28, 1966 (Secret/EXDIS).

^{13/} Department of State Memorandum for the President, "Our Aid Bargain with Pakistan," May 30, 1966 (Secret).

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budget-presentation top priority for development, agricultural self-help and restored import liberalization, and would follow through in subsequent actions; and (5) would move promptly to release seized AID and MAP cargos impounded during the September 1965 war and would reimburse the United States for unlocated cargos. ^{14/}

e. Third Development Plan Implementation

Since the resumption of economic assistance, Pakistan's economic growth has been impressive. One of the principal reasons for this has been renewed emphasis by the Government of Pakistan, under US urging, on the essential development of agriculture and family planning.

Early in 1966, President Ayub formulated a program for foodgrain self-sufficiency by 1970. He appointed the Governors of East and West Pakistan as chairman of their respective agricultural committees with executive authority. These

^{14/} Department of State Telegram 03319, June 4, 1966
(Secret/LIMDIS).

committees were able to greatly speed up the decision-making process with respect to policies, operations, and assignment of personnel. As a result, many policies and programs which American advisors had long been advocating were implemented. The major areas of rapid progress were use of improved seeds, fertilizer and pesticides.

One of the first breakthroughs was the importation by AID of fifty tons of a highly fertilizer-absorbent wheat-seed developed in Mexico in a climatic area similar to that of West Pakistan. The high yielding seeds were multiplied and then sown on approximately 250,000 acres in West Pakistan in 1966 and in the fall of 1967 were sown on more than 3 million acres. The preliminary estimates for the spring 1968 harvest showed a 34 percent increase in foodgrain production in West Pakistan over the previous year. Much of this was attributable to excellent weather, but the new seeds which provided an average yield of 37 bushels per acre (as opposed to 15 bushels with the old seed) played an important part.

A similar breakthrough in rice was developing. At the International Rice Research Institute, a Rockefeller Foundation sponsored project in the Philippines, experiments continued as of 1968 to adapt the high-yielding IRRI rice to the conditions of East Pakistan. At the same time, the Provincial Government of East Pakistan was attempting to expand the area under irrigation, with both AID and World Bank funds.

The new seed varieties increased the yields because they are effective converters of fertilizer; hence increased fertilizer use was essential to increasing agricultural productivity. To promote this, US commodity assistance was provided for the importation of fertilizer, and Cooley and other loans were made for the construction of joint venture fertilizer plants in the private sector. Fertilizer utilization by the farmer increased by 60 percent in 1966-67 and was estimated to have risen by another 40 percent during the 1967-68 crop year.

Pakistan's family planning program also began to receive the high-level political interest that it needed for success. Although family planning was a part of the First and Second Five Year Plans, the family planning clinics and other birth control schemes were largely unsuccessful in practice. With the completion of successful field trials in Pakistan of the intrauterine device, a Third Plan program centered primarily on the IUD was put into execution. By 1968 the program was so far on target, but the actual effect on birth reduction would not be known positively until more data were collected and analyzed. The specific target was the reduction of Pakistan's annual birth rates of 50 per 1,000 population to 40 per 1,000 population by the end of the Third Plan in 1970.

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C. REGIONAL COOPERATION: TURKEY-IRAN-PAKISTAN

Regional self-help efforts -- part of the pattern basically favored by US policy for developing countries -- took an interesting turn in the Middle East during the period of the Johnson Administration through the initiative of Turkey, Iran and Pakistan. The initiative was made known to the world on July 20-21, 1964, when President Gursel of Turkey, the Iranian Shah and Pakistan's President Ayub Khan met together in Istanbul and agreed to bring their countries into a new partnership for regional cooperation. The three Northern Tier heads of state referred to their new joint creation as the "Regional Cooperation for Development" (RCD). Their stated aim was to promote the cultural and economic ties between their three countries, but other states from the region were also invited to join.^{1/}

1. Background

The idea of regionalism had historic roots among the northern countries of the Middle East. As early as 1937 the

^{1/} From Istanbul, Telegram 15, July 23, 1964
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states of the Turco-Iranian plateau had recognized a certain identity of interests, in the Saadabad Pact, concluded by Iran, Iraq, Turkey and Afghanistan. Later, after the war, Turkey and Pakistan signed an agreement (1954) for friendly cooperation; and in 1955 Turkey and Iraq entered into the Pact of Mutual Cooperation which formed the basis of the Baghdad Pact, to which Iran and Pakistan acceded in 1955.

When Iraq withdrew from the Pact following the revolution there in 1958, Turkey, Iran and Pakistan affirmed their faith in the regional idea by continuing their alliance, along with the United Kingdom and the United States (the latter as an observer) in the Central Treaty Organization (CENTO).

By the time that President Johnson took office, Turkey, Iran and Pakistan had had enough experience with CENTO to have arrived at some fundamental conclusions regarding the ability of the alliance to satisfy certain of their basic interests. CENTO on the whole had been successful. After nearly ten years of experience, these three countries had developed an awareness of the advantages of mutual cooperation. Through CENTO and their extensive bilateral and other multilateral associations

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with the United States and Britain, they had remained closely linked to the West. Most of the major CENTO economic projects had been started by this time. Each of the three states valued its membership in CENTO and had no intention of leaving the Organization.

Yet each of these regional members found CENTO wanting when it came to certain of their vital national interests. Pakistan was deeply disappointed at the US and UK support for India during the 1962 confrontation of the latter with Communist China. Turkey felt let down by these same CENTO (and NATO) allies in the 1963 Cyprus crisis. Iran was frequently disappointed by British and American Arab policies.

Moreover, CENTO as a Western-oriented alliance had complicated the regional countries' relations with Afro-Asian states, including Afghanistan. Pakistan and Iran wished to be more closely associated with that strategically placed neighbor. India and the Arabs were still suspicious of CENTO, though less so than in the 1950s.

The Soviet Union was more relaxed concerning CENTO, Indeed, a desire for detente following the Test Ban Treaty of 1963 and

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other measures, including President Johnson's policy of "building bridges to the east," had reached the Northern Tier. Pakistan, in particular, wished to improve relations with the Soviet Union and its other neighbor, Red China. However, the tie with CENTO made moves in this direction more difficult.^{2/}

2. Formation of the RCD

Discussions concerning RCD had been going on in one form or another for some time before the July 1964 summit meeting in Istanbul. Both Ayub and the Shah had indicated before that meeting that they considered further collaboration among Turkey, Iran and Pakistan outside the CENTO framework to be necessary. The Foreign Ministers of the three states discussed the subject at the CENTO Ministerial Meeting in Washington in 1963 and in other encounters thereafter.

Speculation increased during the spring of 1964, as reports came in from the American Embassies in Ankara, Tehran, Karachi and Kabul of high level meetings of Turkish, Iranian,

^{2/} Memorandum, "CENTO-Policy Guidance," Assistant Secretary of State Talbot to Secretary Rusk, February 25, 1964 ~~(SECRET)~~.

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Pakistani and Afghan leaders. When Ayub went to the British Commonwealth meeting in London in July he travelled via Kabul, Tehran and Ankara. While Ayub was meeting with President Gursel in Ankara, the Turkish, Iranian and Pakistani Foreign Ministers were also meeting in the same city. The Foreign Ministers in their final communique broadly hinted that a new organization was about to be born, by referring to an agreement for close collaboration on national economic projects although the Ayub-Gursel communique issued the day before (July 5) had made no mention of this.^{3/}

Between the time when Ayub left Ankara for the London Commonwealth meeting and his return to Istanbul for the summit, there was extensive reporting from the American Embassies in all CENTO capitals regarding local press treatment and official positions. There was general uncertainty in our Embassies in these cities as to what might be in the making. Reports from Karachi, in particular, suggested that a Pakistani withdrawal from CENTO might be imminent.^{4/} Our Embassy in London

^{3/} From Ankara, Telegrams 19, July 6, 1964 (~~CONFIDENTIAL~~); and 22, July 6, 1964 (UNCLASSIFIED).

^{4/} From Karachi, Telegram 77, July 15, 1964 (~~SECRET~~)

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reported British concern over the possibility that any new grouping might be anti-Western.^{5/} All of this uncertainty was soon removed by the action of the Shah and the two Presidents, announcing the creation of the RCD.

To its founders, RCD represented at least a partial implementation of two lines of thought which had been developing for some time: increasing political, cultural and economic cooperation among the CENTO regional countries, and the strong desire of Pakistan and Iran to bring Afghanistan into some sort of regional association. All three countries hoped to gain additional support in their respective quarrels with the Indians, Greeks or Arabs. Regarding Afghanistan, however, our Embassy in Kabul had reported as early as July 7 that that country very probably would not adhere to any Turkish-Iranian-Pakistani alliance even outside CENTO. Ambassador Steeves recommended that the US avoid raising this matter with Afghanistan, leaving any discussion of it up to the parties directly

^{5/} From London, Telegram 263, July 16, 1964 (~~CONFIDENTIAL~~).

^{6/} From Kabul, Telegram 14, July 7, 1964, (~~CONFIDENTIAL~~).

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involved.^{6/}

3. The US Attitude

There was general agreement among our Embassies with the Department's policy of sympathetic but passive interest in RCD. Even before the Istanbul summit took place this policy was outlined in cables to the field.^{7/}

In the US view, the RCD presented both potential advantages and disadvantages. It was felt that the increased cooperation between the three countries could lead to increased confidence, independence and strength in each of the cooperating states. We were hoping, at this period, that Afghanistan and Pakistan could be drawn away from, or lessen association with, Russia and China respectively by looking westward to Iran and Turkey. RCD, through the hope it offered for increasing the strength and confidence of its members, could be regarded

6/ From Kabul, Telegram 14, July 7, 1964
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7/ Department of State Telegrams 91 to Ankara, Karachi and Tehran, July 17, 1964, and 444 to London, July 17, 1964 ~~(CONFIDENTIAL)~~.

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as a potentially stabilizing factor in the region. Finally, the influence of westward-looking, progressive and independent Turkey, Iran and Pakistan was expected to increase in the UN, UNCTAD and Afro-Asian forums, where it was hoped they could help further US views.

On the other hand, there was a contrary US feeling that the RCD might simply weaken CENTO and be the first step of the CENTO regional countries toward non-alignment. The Department of State recognized that an attempt at an American embrace not only was not wanted by the RCD countries, but could very well be the kiss of death, while overt opposition or even an overly questioning attitude would excite needless animosity.^{8/}

An early problem in this regard was how to react officially to the creation of RCD. The British felt that a congratulatory statement in the CENTO Council of Deputies (CENTO country Ambassadors in Turkey), which would meet on

^{8/} Memorandum from Assistant Secretary of State Talbot to Secretary Rusk, July 11, 1964
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July 30, would be appropriate and sufficient. The United States decided to make informal oral statements to certain Turkish, Iranian or Pakistani government officials as the occasion arose as well as a benign statement in the restricted session of the CENTO Council of Deputies. As our Embassy in Ankara pointed out it would be

...difficult to endorse /RCD/ formally at a high level without seeming either to be naive or to have made the statement with tongue in cheek...to the extent that the /Istanbul Summit Conference/ may have partaken of the nature of three boys sneaking behind the barn to have a smoke, it was doubtful that the adventure would be enhanced if the father suddenly appeared and approved.9

Secretary Rusk, in a conversation with Iranian Foreign Minister Abbas Aram at the UN in New York in December 1964, indicated in low key the US interest in RCD developments, but made no statement of opinion or of American policy on RCD

9/ From Ankara, Telegram 157, July 25, 1964 (~~CONFIDENTIAL~~); also, from Karachi, Telegram 193, July 25, 1964 (~~CONFIDENTIAL~~) and, from London, Telegram 420, July 25, 1964 (~~CONFIDENTIAL~~).

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itself.^{10/} At the 1965 CENTO Ministerial meeting in Tehran the Secretary avoided comment on the subject.

By 1966, concern that RCD might present a threat to CENTO had waned. In January 1966, in his Foreign Aid message to Congress, President Johnson said, "Regional cooperation is the best means of economic progress as well as the best guarantor of political independence." Quoting this, Secretary Rusk spoke favorably of the RCD at the 1966 CENTO Ministerial meeting in Ankara. The Secretary said

The United States congratulates the architects of RCD and looks for valuable accomplishments to flow from this new association. We have every reason to believe that the activities of RCD and CENTO, separately but with complementary objectives, can play important and distinct roles in the economic and commercial progress of the region.

President Ayub in particular was pleased by the Secretary's statement. Later in the year in a conversation with Iranian Foreign Minister Aram at the UN the Secretary stated that we were pleased to see close cooperation among the RCD countries.

^{10/} Memorandum of Conversation, Secretary Rusk and Iranian Foreign Minister Aram, December 14, 1964 (LIMITED OFFICIAL USE).

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The United States continued, meanwhile, to welcome RCD as an expression of regional self-help and as a potentially stabilizing factor in the Middle East. We were sympathetic with its goals of economic improvement and closer cultural relations. Considering, however, the desire of the regional countries to keep the organization indigenous and independent of CENTO, the United States, and Britain, we continued to avoid any initiative in proposing economic cooperation or assistance.

This policy was affirmed by the Department of State in a thorough CENTO/RCD policy review in January 1967 and remained the official US policy toward RCD throughout the Johnson Administration.^{11/}

4. CENTO and the RCD

If the RCD in 1964 seemed to some like the first step in the dissolution of CENTO, it seemed at the same time the

^{11/} Interdepartmental Regional Group for Near East and South Asia, Record of Meeting, January 18, 1967 (~~SECRET~~).

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fruition of the very concept of regionalism which CENTO had been created to foster.

Historically CENTO provided the base on which to build the RCD. The RCD structure was patterned closely on CENTO's. Its economic program was taken largely from CENTO; of its ten original projects, nine had been discussed or considered within CENTO. The very breeding ground for mutual economic and cultural cooperation among the RCD states had been CENTO.^{12/}

Yet at the beginning Pakistan, in particular, refused to allow any contact between the two organizations. Secretaries-General Khalatbary (CENTO) and Rouhani (RCD) had agreed to exchange information informally, but Pakistan vetoed this idea. Frequently, RCD meetings or activities conflicted with those of CENTO, and the best people were sent to the former, while at times no Pakistani delegation or an inadequate one was sent to the latter. The RCD had such ambitious and apparently all-encompassing plans for its economic program

^{12/} Policy Planning Council: "The RCD and the New Regionalism," June 30, 1966 ~~(SECRET)~~.

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that it was doubted by some whether CENTO would have any further economic role.

The situation evolved in such a way, however, that the two organizations became complementary to some extent. The RCD concentrated on joint-ventures which were essentially commercial (a joint insurance company, and a joint chamber of commerce) or industrial (an aluminum plant, a bank-note paper plant, a jute mill). CENTO was more concerned with scientific, educational, health and agricultural activities. Even in industrial development, CENTO was concerned more with an identification of areas of potential development than with specific industrial projects.^{13/}

By early 1968 Pakistan had relaxed its position slightly on the total separation between RCD and CENTO. At the 16th CENTO Economic Committee meeting in Islamabad in March 1968 the Pakistani delegate stated that RCD was incapable of handling certain aspects of family planning activities and that CENTO

^{13/} Scope Paper for US Delegation, 16th CENTO Economic Committee Meeting, Istanbul, March 6-8, 1968 (~~CONFIDENTIAL~~).

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was more properly the forum for these aspects of this activity because of the availability of American and British scientific and technical know-how through CENTO. Until then Pakistan had resolutely refused consideration of family planning projects in CENTO, saying that this was a subject for the RCD. Another indication of the more relaxed relations between CENTO and the RCD was the informal visits which the new Secretaries-General Menemchioglu (CENTO) and Zubari (RCD) exchanged in 1968.

5. Achievements, 1968

By 1968 both the RCD and CENTO had become familiar elements of the Northern Tier scene. Consultation, cooperation and coordination among Turkey, Iran and Pakistan in cultural, economic and political affairs were common. The regional approach by these countries to common problems was an important element in their relations.

Yet each country's bilateral relations with other nations in the Middle East and South Asia and with the Great Powers continued to dominate its over-all foreign relations. The

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concerns of Pakistan with India and of Iran with the UAR and the radical Arabs continued to limit regional cooperation as Pakistan sought improved relations with the Arabs and Iran with India.^{14/} Pakistan felt the US and UK failed it in its crisis with India in 1965, the Indo-Pakistan war. This further disillusioned Pakistan within CENTO, especially after the United States terminated arms aid to Pakistan in 1965.

All three of the CENTO regional countries sought better relations with the Soviet Union and the Communist nations of Eastern Europe in the 1960s. By 1968 each had increased its economic ties with the latter. Pakistan had begun negotiations with the USSR regarding military assistance and had received jet aircraft and tanks from Communist China with which it had friendly relations. Iran, too, had entered into a military relationship with the USSR; it purchased some non-sophisticated Soviet military equipment in an arrangement involving Soviet credits in return for future deliveries of natural gas from Iran.

14/ From Tehran, Airgram A-743, July 30, 1968
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CENTO changed during the Johnson administration. By the end of it most of the major capital projects had been completed or were well along in the construction stage. The roads, railway and telecommunication projects had strengthened the ties among the regional countries. New economic programs were well received, if more modest in scope. The regional countries continued to participate fully in CENTO's economic activities, and government leaders in Turkey, Iran and Pakistan affirmed their value.

Notwithstanding the reduced emphasis on politico-military aspects of the alliance the regional countries saw advantages in maintaining the CENTO link with the United States and Britain. The Arab-Israel war of 1967 and the Czech crisis of 1968 served to remind these nations of Soviet disregard for small nations. Though Britain announced a general withdrawal of military forces "east of Suez" by 1971, it reaffirmed its commitment to CENTO. Thus by 1968 CENTO continued to reinforce tendencies toward regionalism among the Northern Tier states and to serve as a link to the West for

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them.

Even without the inherent limitations of CENTO, however, RCD was only a limited success. No other state joined the pact. Iran and Pakistan had strongly hoped that Afghanistan would accede, but the RCD seemed too close in appearance to CENTO (and too dominated by Afghanistan's larger and, at times, inimical great neighbors, Pakistan and Iran) for Afghanistan to feel that it could make this move without disturbing the Soviet Union. At times there were rumors of Iraqi or Indonesian interest, but neither country ever indicated any desire to join the RCD. Ambassador Strong reported from Baghdad that he and Iranian Ambassador to Iraq Pirasteh felt that talk of Iraqi accession to RCD was dangerous because of the countervailing radical Arab pressures it would create. Ambassador Strong felt that these pressures would destroy attempts by moderate Iraqis to have friendlier relations with Iran and Turkey.^{15/}

^{15/} From Baghdad, Telegram 1386, February 9, 1967
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The economic achievements of the RCD have been modest. The Secretariat, the RCD Chamber of Commerce and the RCD Insurance Center were created shortly after its birth. Most projects that reached the advanced planning or construction stage, such as the aluminum plant in Iran, the oil refinery in Turkey, or the bank note paper plant in Pakistan, had been originally considered outside of or before RCD. Agreements facilitating travel between the countries and a multilateral payments agreement had been under discussion before they were considered in the RCD context.

Nevertheless, through RCD (as well as CENTO) Turkey, Iran and Pakistan have tried at least to coordinate their development planning and to increase their cooperation in economic matters. Though real progress was limited, they have attempted to plan certain economic projects in concert for the benefit of all, and they have done this on their own, with a minimum of outside assistance. Similarly, they have consulted frequently on political matters. In general, each has supported the other on important bilateral questions, and in some instances one party has been able to moderate the views of the

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other.

Thus, through CENTO and the RCD, regional cooperation was a fact in the Northern Tier by the late 1960s. It seemed a healthy trend in keeping with US policies and objectives. It was due in part at least to US policies over many years, particularly through CENTO, and it provided a hopeful spot in one of the more turbulent regions of the world.

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3. India's Food Crisis, 1965-67

The Johnson Administration confronted few foreign policy challenges so complex as that which arose in 1965 when India's burgeoning millions faced a famine of epochal proportions. Under threat was the stability of the world's largest democracy, where free institutions were being tested as effective instruments of large-scale economic development. To many Asians, India's success or failure would be compared to that of Communist China.

The immediate US objectives in dealing with the crisis were: (1) to impel changes in Indian agricultural policy which would lead India to self-sufficiency in foodgrain and (2) to prevent widespread starvation. The effort was dominated, however, by larger political goals. The tools at our disposal were our great reserves of wheat and milo, our highly productive farm land, and our budgetary resources which permitted us to sell more than one billion dollars' worth of grain to India for local currency in the two-year period.

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These tools were used, however, with great force to achieve two major goals. The President felt that the crisis was perhaps the last possible chance to avert dangers of disastrous famine ten years hence. His strategy therefore was twofold: (1) to put maximum pressure on the Government of India to rationalize its agricultural and birth control policies and (2) to mobilize full international support for United States efforts in helping India surmount the food crisis caused by drought. The President's belief was that fully visible international sharing of the burden was necessary to maintain America's will in the field of aid and to help offset dangerous isolationist pressures in other areas of foreign policy.

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a. Background

Indian agricultural progress in the 1950's had been slow. In the early 1960's foodgrain production reached a plateau of around 80 million tons of grain per year.

Economic policy had emphasized the industrial sector; heavy industry was seen as the key to economic development. The agricultural sector was expected to look after itself, and when the Indian Government's attention was directed to rural areas, the focus was primarily on community development and social uplift, not food production. Pricing policy favored the urban workers for whom cheap food was politically expedient. Government indifference and low prices conspired to keep agricultural production down, especially foodgrain production which was less profitable than cash crops. Dependence on imports increased as foodgrain output failed to keep up with the population growth.

The dependence of a very poor country like India on imported food was possible only because the extraordinary

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surpluses of American grain, a political embarrassment to the United States, were available for export on very easy terms. In 1960 India signed the largest PL-480 agreement in history, providing for the shipment of 16 million tons of American grain over the next four years. The PL-480 wheat was a double-edged sword. On the one hand, because it was a very significant part of the grain that entered commercial channels, it permitted the Indian Government to continue its policy of providing cheap food for the urban masses. In this way it contributed to political stability. On the other hand, it was an important factor in depressing prices to the Indian farmer. In that way it permitted the continued stagnation in foodgrain production. Although foodgrain output increased sharply in the crop year 1964-65 as the result of an excellent monsoon, India nevertheless sought a new PL-480 agreement for 4.5 million tons of grain which was signed September 30, 1964. In spite of the PL-480 grain, increasing population and the inflationary impact of defense spending after the Chinese incursions began pushing food prices up.

In the spring of 1965, when India sought still another food agreement -- this time for a two-years supply of grain, seven million tons each year -- the United States examined the request with serious doubt. Foodgrain imports had risen steadily and enormously over the previous decade. In 1954 grain imports were less than one million tons; by 1964 the level had risen to 5.5 million tons. It was very evident that the upward trend could not continue. Even the vast productive capacity of America's farmland would be strained to provide ever increasing amounts of grain. Further, shipping would not be available for indefinitely increasing amounts, and even if it were, the port capacity of India would then become a limiting factor.

The US review of food policy toward India began against a background of disillusionment over the poor progress of the Indian economy generally and the failure, even then evident, of the Third Five-Year Plan. Enormous amounts of capital assistance had been poured into India, and very large scale programs of technical assistance had been set up, but the

economy remained sluggish. Further, with the death of Nehru and the emergence of the colorless figure of Shastri as Prime Minister, India lost some of its glamor in American eyes. Even deeper was a general sense of frustration with the sub-continent and its quarrels, with Pakistan's flirtation with China, and with an Indian neutralism that to Americans often seemed pro-Soviet. And finally, the penchant of Indian leaders for criticizing the US role in Viet-Nam proved to be a recurring source of friction.

b. The New Food Policy

During the early spring of 1965 President Johnson made it known that no new food or loan agreements with India should be made without his approval. The Indian Government's repeated inquiries to the State Department about the request for a new two-year food agreement could not be answered. The cancellation of Prime Minister Shastri's visit to Washington that spring hurt India's pride; but the need for food transcended injured pride, and Indian appeals increased. The President called for a review of aid policies toward India

and Pakistan on June 9. ^{1/} He asked, among other things whether the United States should be spending such large sums in either country, and how to achieve more leverage for our money in terms of more effective self-help and of our political purposes. At the same time the President asked for an early recommendation regarding a new PL-480 agreement. The recommendation in response was for 6 million tons of wheat; but the President approved only one million tons. ^{2/} The agreement for one million tons, signed July 26, was the first step in what came to be known as the "short-tether policy," a policy of short-term agreements which permitted re-examination of India's performance in agricultural production at the frequent intervals prior to the negotiation of each new agreement.

Hostilities between India and Pakistan broke out at the beginning of September 1965. The general US sense of

^{1/} Memorandum from McGeorge Bundy to the Secretary of State, the Secretary of Defense, and the AID Administrator, June 9, 1965 (~~SECRET/LIMDIS~~).

^{2/} Memorandum to the President from David Bell, June 16, 1965 (~~CONFIDENTIAL~~).

disillusionment toward the sub-continent deepened into a feeling of "a plague on both your houses." Coupled with the disillusionment was the unhappy awareness that the United States had helped arm both of the warring sides. We could not possibly be indifferent to the hostilities. We abruptly terminated military aid to both parties of the dispute and shipments en route were stopped. US diplomatic pressure was intense, at the UN and in both capitals. Negotiations for new economic aid were suspended, although shipments under previous economic aid agreements continued. The hostilities ended; Indian animosity smoldered; Indian food requirements grew.

As the US food policy review took place, conditions in India were drastically changed by the weather. A serious drought during the summer of 1965 reduced the autumn harvest to the lowest figure in years. With a considerable degree of reluctance, but in recognition of the acute food situation, the United States responded to Indian appeals and a new food agreement was signed on September 29, 1965 -- the first

agreement of any sort following the outbreak of hostilities. This provided only one-half million tons of grain. The ink on the signatures had not dried when India returned to ask for more. On November 4 still another agreement was signed, again providing about one-half million tons.

Toward the end of 1965 the crisis deepened. The full extent of the drought became known -- it was widespread and serious, the worst drought in a century. A subsistence agriculture, with dependence on imported grain, provided no margin for a bad harvest. Stocks were almost non-existent, and the next crop was not due until April 1966. Chronic balance-of-payments problems precluded large purchases of imported food. India was destitute: the Indians knew it and we knew it. The only possible source of food to tide them over until the next harvest was the United States. The Indians knew this, and we knew it, too.

The stage was thus set, and the actors stepped onto it. Secretary of Agriculture Freeman, charged by the President with the responsibility for implementing our new policy, and

India's Minister of Food and Agriculture C. Subramaniam met at the FAO Conference in Rome in late November. The US Government had decided that India should obtain PL-480 food only on the condition that its Government took steps to improve agricultural production. We would help with technical assistance and loans for fertilizer. Freeman and Subramaniam met to work out the terms of the quid pro quo. Subramaniam himself, believing that a high priority should be given to agriculture, was probably in general sympathy with what we were trying to accomplish. However, he was fully aware that it was political dynamite for the Indian Government and for him personally to sign an agreement under duress.

The agreement signed by Freeman and Subramaniam on November 25^{3/} was a remarkable document which overturned the general outlines and changed the priorities of the economic policy which India had followed ever since its independence. Under its terms, India agreed to give agriculture top priority

3/ From Rome, Telegram 1373 (EYES ONLY for the President from Secretary Freeman), November 26, 1965 (~~CONFIDENTIAL~~).

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in economic development, agreed to the level of investment which the United States stipulated, agreed on the amount of fertilizer to be made available to farmers, reversed the established policy concerning foreign investment in fertilizer production, reversed the marketing policy for fertilizer, undertook a policy of providing farms with strong economic incentives for higher production, and established a crash program for the most productive land, thereby overturning the well-established policy of spreading the benefits of economic development as broadly as possible.

This agreement was the price that the United States demanded for the resumption of aid. The United States lived up to its side of the bargain by offering a \$50 million loan agreement for fertilizer immediately, plus a new PL-480 agreement (signed December 10) which provided for the largest grain shipments of any agreement signed in more than a year. Further, the ^{4/} President put the bureaucracy into high gear by establishing a special inter-departmental committee under Secretary Freeman to cope with the crisis.

^{4/} National Security Action Memorandum 339, for the Secretary of Agriculture, December 17, 1965 ~~(SECRET)~~.

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The short-tether policy, however, was by no means ended, as that food agreement provided for only about two months' supplies at the existing rate of need, and India had to come back to ask for a new agreement a month later. It was signed on February 5.

During this period efforts to persuade the world community to share in the burden of India were intensified. The US Government pointed out repeatedly that it alone would be unable to carry the burden created by the famine. Secretary Rusk made it very clear to Ambassador Bowles that India should ^{5/} itself exert every effort to get food from other countries. The President pressed Subramaniam on the same subject when ^{6/} the Food Minister visited Washington just before Christmas.

In a Message to Congress dated March 30, 1966, President Johnson called world attention to India's plight and to the

^{5/} Department of State Telegram 1041 to New Delhi, December 11, 1965, Personal for the Ambassador from the Secretary (EXDIS/~~CONFIDENTIAL~~).

^{6/} Department of State Telegram 1169 to New Delhi, December 30, 1965 (EXDIS/~~SECRET~~).

Early in January, 1967, Undersecretary
Rostov was sent abroad to head on a
mission to solicit

world's responsibility in helping India cope with the famine. In this Message the President proposed that the United States would provide 3.5 million tons of foodgrain for India and called upon the other countries to provide an equal amount. He renewed the call to India to step up its own agricultural production.

In fulfillment of this appeal, the United States negotiated a significantly larger food agreement on May 27 (3.5 million tons, as promised in the Message to Congress). The optimistic view was revived that India was taking the right steps. The Indian Government looked eagerly to the termination of the galling short-tether policy. It believed it had learned its lesson: self-sufficiency in food was of vital importance. The top level of the US Government was pleased that other nations had come forward to share the burden of feeding India. The advent of the summer monsoon offered the annual hope that good crops in India were in prospect. For a brief moment it appeared that US-Indian economic relationships would return to normal. It was expected that India's PL-480 requirements would be distinctly lower than

than during the famine year.

In fact, the spring of 1966 seemed to promise the normalization of other US-Indian relations. Prime Minister Gandhi came to Washington to make India's peace, and the strains in US-Indian relations caused by the September hostilities seemed ended.

US concerns regarding India turned from food and Indo-Pakistan relations to the general economic picture. In spite of all the economic aid India had received, the economy was little better than stagnant and something had to be done about it. The Indians recognized the necessity as well as outside observers. After laying the political ground work during her visit to Washington, Mrs. Gandhi sent a trusted advisor there to negotiate with the IBRD and the IMF about changes in India's economic policy and Consortium aid levels.

As a result of the consultations in Washington, and immediately following the signature of the PL-480 agreement of May 27, India announced the devaluation of the rupee. It subsequently announced the liberalization of imports.

Devaluation was a severe blow to Indian pride. Liberalization ran counter to most of the economic philosophy promulgated by the Indian Government since Independence. A political storm broke out. Mrs. Gandhi and the chief architects of her policy were severely attacked in Parliament, in the press, and in public utterances. The new policies were formulated by the IBRD and the IMF, but they bore the label "made in Washington," and the US Government was included in the blame. The fact that India was to receive increased Consortium aid to underwrite the new policies did not ease the pain. The opposition claimed that the Gandhi Government had permitted the IBRD and the United States to infringe on India's sovereignty for a price; but, as many Indians pointed out later, the pay-off was lower than had been promised.

Against that background and against the background of sharply reduced US agricultural surpluses, the United States began to consider India's future food needs. While the urgency of the Indian need was reduced, and the attitude towards India within the US Government was more relaxed, the bureaucratic situation in Washington became highly involved. Secretary Freeman had apparently come to believe that he had

permanent jurisdiction over Indian food and agriculture. Other agencies took a different view. A complicating factor arose from the new PL-480 legislation then being considered by Congress, which was likely to shift some of the responsibility previously resting with the Department of Agriculture to the Department of State and AID. As a further problem, Secretary Freeman had made statements about the financial provisions of the pending legislation at a press conference in New Delhi, statements which the State Department considered to be contrary to the agreed Administration position.

With these factors in the background, Secretary Freeman sent a Memorandum to the President ^{7/} recommending a new PL-480 agreement with India to provide 2.5 million tons of wheat. This Memorandum was neither cleared with nor shown to State and AID. The White House staff sent it back to Agriculture, where it was modified slightly and then sent to State for clearance. ^{8/}

^{7/} Memorandum to the President from Secretary Freeman, July 27, 1966.

^{8/} Memorandum to Secretary of State and AID Administrator from Secretary Freeman, August 2, 1966.

At that time there were three offices in State and three more in AID dealing with PL-480 matters, and each one of them was firmly convinced that it had the major responsibility for the Indian agreement. Bureaucratic rivalry became intense as agencies and offices tried to take over the largest PL-480 program in the world. Furthermore, opinions differed greatly as to whether the Indians were dragging their feet with the agricultural reforms or whether they were doing the best that could be reasonable expected. After dozens of meetings, dozens of memoranda and countless telephone calls, an agreed State-AID-Agriculture position was finally reached.

Then the final argument broke out: would the new Memorandum to the President be typed on the letterhead of the Secretary of Agriculture, or the letterhead of the Administrator of AID? The debate was finally resolved by the use of plain white paper, and the Memorandum went forward on August 23.

It arrived in the White House before tempers had cooled over the Joint Indo-Soviet Communique released in Moscow at the end of Mrs. Gandhi's July visit. That Communique contained

statements about US policy in Viet-Nam and the bombing of North Viet-Nam that seriously antagonized top US officials dealing with foreign affairs and undoubtedly had a part in the US delay regarding the PL-480 agreement.

c. The Second Drought

While the bureaucratic wrangling waxed and waned in Washington and the Indian Parliament was in daily uproar over devaluation, the monsoon got off to a poor start and then faltered. It slowly became evident that India's own food production would again be grossly inadequate for its needs. The drought-stricken area this time was localized in one large region in east-central India with a population of around 100 million people. Bihar was the state most acutely affected, hence the crisis came to be known as the Bihar famine.

For India the prospect was one more drought, one more year of acute dependence on PL-480 imports, one more year of submission to US demands, one more year of exposure to the world as paupers. This outlook produced a sense of frustration,

pessimism and fatalism.

On the US side, especially in the Department of Agriculture, the feeling developed that India was not living up to its agreement to place greater stress on agricultural production. In dealing with India, "tough-mindedness" became an expression of high praise. Further, there was a degree of boredom with starving Indians. It was an old story; Indians were always starving. Moreover, Congressional reluctance to continue food aid for India at a high level was very apparent. US food availabilities had been reduced by indifferent crops here, and our surpluses had largely disappeared.

As the outlook for India's own food production became bleaker and the President's silence over the PL-480 agreement recommended in the August 23 Memorandum continued, the situation became increasingly ominous. It appeared that the Department of Agriculture had been telling the President that Indian efforts were slackening and that the poor crop outlook was at least partly the Indians' own fault. A counter-offensive was launched by State and AID. Memoranda, conferences, luncheon discussions, telephone calls -- all the standard

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bureaucratic practices were used, but the long wait stretched through September, then October, and by the end of November had begun to take on the quality of a death watch.

Reports of acute distress were coming out of India. Mrs. Gandhi appealed to the Indian nation on November 16. The area under rationing was extended. The size of the ration was cut, and then cut again. The specter of famine loomed over Bihar. The law-and-order situation deteriorated. Political repercussions within the Indian Government were felt.^{9/}

The press became curious as to why the US Government was staying its hand when famine threatened. The New York Times carried some very well-informed stories about White House views on the situation. The press stories sparked the interest of the diplomatic corps. Embassy officers from the 10 Consortium countries, Australia, New Zealand, and the Scandinavian countries began calling at the State Department

^{9/} From New Delhi, Telegram 7960, December 1, 1966
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to ask what the United States intended to do about food for India. Under the circumstances it was difficult for the Department to explain US food policy towards India in logical terms to representatives of friendly governments.

It became increasingly clear that the President was not satisfied that he knew what the real situation was: how seriously India needed food and how strong an effort India was making to become self-sufficient in food. The reports he received from various elements of his government had been in conflict. Even though the Department of Agriculture had swung around to the State/AID view that the situation was indeed serious, Secretary Freeman was still unconvinced that India was making an adequate effort to feed itself; he still urged that we proceed slowly.^{10/} The State Department, however, was making plans for what could be done in OECD and through the IBRD.^{11/}

^{10/} Memorandum to the President from Secretary Freeman, November 4, 1966.

^{11/} Memorandum to Under Secretary Rostow from William J. Handley, November 18, 1966
~~(CONFIDENTIAL)~~.

Further, there was deep concern that Congress would not support another massive food program unless it were clear that India was making sacrifices to feed its people and that other countries were doing their share.^{12/} To resolve these doubts the President wanted some Members of Congress to go to India to look around and report back to him.^{13/} Representatives Poage and Dole of the House Agricultural Committee and Senator Miller of the Senate Agricultural Committee made the trip in December at the President's request. They joined^{14/} the USDA technical experts who had been sent in advance. The reports brought back by both the teams were favorable. Both groups believed that India was making a solid effort, and both believed more PL-480 food was urgently needed. A push was made in early December for the release of 750,000 tons of grain.^{15/} Expectation rose, and the President

^{12/} Department of State Telegram 93302 to New Delhi, November 29, 1966 (~~EXDIS/CONFIDENTIAL~~).

^{13/} Telephone conversation between Under Secretary Schnittker and Deputy Assistant Secretary Handley, November 11, 1966 (~~CONFIDENTIAL~~).

^{14/} Memorandum to the President from Secretary Freeman, November 12, 1966.

^{15/} Memorandum to Under Secretary Rostow from William J. Handley, December 7, 1966 (~~CONFIDENTIAL~~).

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decided on December 22 to authorize 900,000 tons of grain out of the 2.5 million requested. The agreement was signed the following day in New Delhi.

A great sigh of relief could be heard in Washington as well as India. The decision had been delayed to the last possible moment to prevent another cut in the ration prior to the Fourth General Election. By that time 200 million Indians were receiving part of their rice and wheat through the rationing system, and some people were receiving all of their grain under the ration. A serious breakdown in the food distribution system would have been disastrous particularly just before the election.

It soon became known that the President had more in mind: another Message to Congress on the Indian food problem; further steps in internationalizing the responsibility for providing food for India; a new food agreement to tide India over until a burden-sharing program could be worked out; and a Congressional Resolution expressing the support of Congress for this approach.

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An inter-Departmental group began work under the leadership of Under Secretary Rostow. The most difficult problem they faced was how to enlist enough international support from the rather indifferent world community to satisfy the President. The great danger was that we would make our food aid so conditional on the aid provided by others that we would tie our own hands. The President had said that the United States would provide no more than half of the food to go to India, but it quickly became apparent that the total amount provided would be far short of India's needs if the United States shipped only half. Intensive discussions took place within the Government.^{16/} Secretary Freeman provided his views in a Memorandum to the President dated January 4. After intensive inter-agency consultations a State/AID/Agriculture Memorandum to the President went forward on January 6 proposing (1) a 5 million ton allocation of grain for India, of which 2 million tons would be made available promptly and

^{16/} Memorandum to Under Secretary Rostow from William J. Handley, January 2, 1967 (~~CONFIDENTIAL~~).

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the remainder subject to matching by other donor countries, (2) that we announce approval of the \$25 million Title II emergency feeding program, (3) that we ask the IBRD to take over the international aspects of food aid, and (4) that the matching aspects of the proposal be carefully checked with ^{17/} other governments before making the proposal public.

The President agreed to move ahead with these proposals. In recognition of the urgency of the situation he dispatched Under Secretary Rostow, Under Secretary Schnittker and a State/AID/Agriculture group on a mission to visit foreign capitals for the purpose of reviewing with other governments the possibility of matching our food contributions to India.

While the Rostow Mission was being carried out, the Washington bureaucracy was working out the terms of the next PL-480 agreement. On February 2, the day of the President's Message to Congress on the Indian food crisis, our Embassy in New Delhi was authorized to open negotiations for a new agreement for two million tons of grain. These negotiations were

^{17/} Memorandum to the President from Orville Freeman, William Gaud and Dean Rusk, January 6, 1967 ~~(SECRET)~~.

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the first to be held under the new PL-480 legislation passed a few months earlier. Hence new interpretations had to be made and new policies set.

The most serious problem, however, arose when the Chairman of the House Agricultural Committee brought pressure to bear on the Department of Agriculture to increase India's consumption of PL-480 cotton of the type grown in the Congressman's district. The particular point the Congressman sought was to make India reduce its acreage of cotton and increase its acreage in grain, thus reducing its need for PL-480 wheat but increasing its need for PL-480 cotton. A cable was sent to the Embassy instructing the negotiating team to approach the Indian Government with this proposal.^{18/} The reaction of the Indians was violent and firm.^{19/} In spite of their need for food the Indians refused to accede to this request. They said it was politically impossible for them to restrict cotton planting, as well as administratively infeasible. The United

^{18/} Department of State Telegram 137417 to New Delhi, February 15, 1967 (LIMITED OFFICIAL USE).

^{19/} From New Delhi Telegram 11845, February 16, 1967 (LIMITED OFFICIAL USE).

States backed down, although Congressional interest continued. The new agreement was signed on February 20. Before it was signed, however, plans were well underway for the next steps. ^{20/}

The Congressional Resolution on Food for India was introduced on February 6, just four days after the Message to Congress. The Executive Branch testimony began on February 8, with Secretary Freeman and Under Secretary Rostow as witnesses before the House Agriculture Committee. The value of the visit of the Congressional team to India quickly became apparent. Congressmen Poage and Dole spoke knowingly and sympathetically about the situation in India.

Difficulties arose over the interpretation of the phrase "matching." Secretary Freeman appeared uncertain as to precisely what was meant by "matching" and he appeared to disagree with Under Secretary Rostow. Some Committee members sought to define it as meaning on a one-for-one basis. Congressman Dole came to the rescue and weighed in to prevent

^{20/} Memorandum to Under Secretary Rostow from
William J. Handley, February 15, 1967
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that interpretation, which could have been very restrictive. The resolution was signed on April 1 by President Johnson.

It was strongly felt at senior levels in the Government that the burden should rest with the Indians to mobilize international support in the effort to feed India.^{21/} The Indians themselves, however, were quite sensitive about being cast in the role of beggars.

The Consortium meeting called by the IBRD with special reference to the food crisis opened two days after the resolution was signed. The US position put great emphasis on the matching formula. We stated that it was imperative that other nations share the burden of feeding India.^{22/} The reaction of other countries was considerably less than enthusiastic.^{23/} The offers of Germany and Japan were particularly disappointing. It was decided to hold another meeting on April 25 to give

^{21/} Department of State Telegram 160134 to New Delhi, March 22, 1967 (EYES ONLY for the Ambassador from the Secretary).

^{22/} Department of State Telegram 167276 to Paris, April 3, 1967 ~~(CONFIDENTIAL)~~.

^{23/} Department of State Telegram 175876 to New Delhi, April 14, 1967 ~~(CONFIDENTIAL)~~.

delegates the opportunity to consult with their governments. ^{24/}

The earlier Consortium meeting had hardly ended when discussion began about the next PL-480 agreement, the first one to take place under the "matching" formula. The problems of definition quickly became even more apparent than they had in the Congressional discussions. However, after extensive consultation within the bureaucracy it was agreed that other countries had made matching offers either in food or in other commodities or money equal to 1.5 million tons of grain. Therefore, a Memorandum to the President on May 3 recommended ^{25/} approval of an agreement for that amount.

Once again the President was unwilling to give prompt approval to the Memorandum. There was some concern lest this agreement bring pressure to bear on consumer prices in the US, and the President wanted reassurances that no such effect

^{24/} Department of State Telegram 172517 to New Delhi, April 11, 1967 ~~(CONFIDENTIAL)~~.

^{25/} Memorandum to the President from Orville Freeman and William Gaud, May 3, 1967 ~~(CONFIDENTIAL)~~.

would follow. Subsequently, he became concerned lest India's commercial purchases of wheat in the United States were not high enough. Ambassador Nehru was called in to be informed of these concerns. The Ambassador raised the question of the difference in freight costs between Australia and India and freight costs between the US and India. He was given some assurance that this freight differential would be taken care of ^{26/} -- assurances that were never fulfilled.

The Memorandum to the President was finally approved and negotiations sent to the field on June 3. A few days later the Middle East crisis erupted, and India's pro-Arab utterances in the UN became another aspect of the problem. The closure of the Suez Canal further complicated matters, as grain ships en route to India had to be re-routed around Africa, thus threatening to reduce the pipeline to a mere trickle. On grain ship, the S.S. Observer, was caught in the Suez Canal and still (1968) remains there. However, the agreement was

^{26/} Memorandum of Conversation, Ambassador Nehru and Under Secretary Rostow, May 17, 1967 (~~CONFIDENTIAL/~~ EXDIS).

finally signed on June 24 as the first rains of the new monsoon were falling, a monsoon which proved to be the best in recent years. Thus the food crisis ended, not with a bang, nor with a whimper. It just disappeared, as the summer monsoon of 1967 brought forth the largest crop in India's history.

India received over 8 million tons of PL-480 grain during the first year of the crisis and over 6 million tons the second year. This provided enough grain, the basic food of India, to feed nearly 50 million people the first year and nearly 40 million the second year at existing rates of consumption. It was the largest shipment of food ever made from one country to another. PL-480 became known the length and breadth of India; most Indians were grateful for the food aid they received; few among the general populace criticized the United States for being slow or tightfisted. Indian Government officials, however, particularly those who tried to run the ration system while the short-tether policy was in full swing, probably harbored a lingering resentment owing to

the uncertainties and disappointments they had experienced. The unexplained delays when the Indians thought they were living up to their side of the bargain rankled, particularly with the recurring suspicion that food aid was being used for political purposes. The two drought years and the short-tether policy, however, taught India lessons that seemed to be lasting ones: India must be self-sufficient in food; reliance on the generosity of other nations is hazardous; and a strong agricultural base is essential for economic development.

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By ing, NARA, Date 5-16-91

D. THE INDO-PAKISTAN CONFLICT

1. Background

Ever since August 1947, when the British granted the sub-continent its independence and India and Pakistan were established as separate dominions, the troubled relationship between the two countries has been of concern to the United States. Bloodshed and conflict attended their birth and have marred their contacts since then. The Pakistanis have felt that the Indians did not accept the existence of Pakistan as a separate, permanent nation. The problem of Kashmir has also continued to be a major source of enmity. India regards Kashmir as an integral part of that country, with no questions remaining for negotiation. For Pakistan, however, the area is in dispute and will remain so until a settlement is reached after full discussion of Kashmiri needs and desires. Finally, communal strife, the reason for partition, continues to breed mutual suspicion and distrust.^{1/}

^{1/} Background paper for Indo-US Talks, July 26-28, 1968, on "Indo-Pak Relations," NEA/INC (T.L. Leitzell) ~~(CONFIDENTIAL)~~.

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Internationally, India has followed a policy of non-alignment, attempting to exploit the divisions between the great powers to gain support for her position vis-a-vis Pakistan. Under Nehru, India sought a position of leadership in the "third world," offering the moral guidance of "true independence" in the world arena.^{2/}

Pakistan, conversely, allied itself strongly with the United States, signing a bilateral defense agreement^{3/} and the SEATO and CENTO accords in 1954-55. Subsequently, it provided valuable communications facilities to the US.

The United States has always felt that both nations had great potential for development but that Indo-Pakistan political differences hindered rapid progress. Not only was there a lack of economic cooperation, there was also the negative weight of the defense build-up against each other. Our policy for the subcontinent was based on reconciliation. Rather than determine policy in relation to each country

^{2/} Scope paper for Indo-US Talks, July 26-28, 1968, NEA/INC (Douglas Heck) (~~CONFIDENTIAL~~).

^{3/} Draft "Chronology of Military Supply Policy for South Asia," April 4, 1967, NEA/PAF (L. B. Laingen) (~~SECRET~~).

individually, we considered the effects and reactions in both when making decisions concerning either one. The possibility of exerting influence in support of rapprochement was a major factor in our economic and military aid programs.^{4/}

The Chinese Communist military attacks on India in Ladakh and the Northeast Frontier Agency in October 1962 became a turning point in US relations with both countries as well as a cause of marked internal reassessment in India. Prior to 1962, the only US military assistance to India had been a small sales program under which the Government of India bought about \$9 million worth of materiel. After the attacks, the United States responded with an emergency military grant program which by 1965 had provided \$92 million of equipment to the Indian Army. India's confidence in its defense capability had been badly shaken and the Indian Government acknowledged that it needed outside help.

^{4/} Briefing paper "US Policy in South Asia,"
November 29, 1966, NEA/INC (H. G. Hagerty)
~~(CONFIDENTIAL)~~.

Despite their basic tenet of non-alignment, the Indians turned to the United States and the USSR (in 1964) for aid and got it.^{5/}

From 1954 to 1962, Pakistan received substantial grant and sales aid from the United States to bolster its defense system. Pakistan, in its own terms a "model ally," depended heavily on the United States for political, economic and military support.^{6/} However, the Pakistanis were disillusioned by US military aid to India after 1962. Why, they asked, should Pakistan be a staunch ally of the United States, and incur Soviet enmity because of the US communications facilities at Peshawar, when non-aligned India received equal consideration and strong military support from the United States? Pakistan began to search for a more independent foreign policy by increasing and improving its relations with Communist China. It began to develop a special adeptness at balancing the attentions of the

^{5/} Ibid., notes 3 and 4.

^{6/} Ibid., notes 3 and 4.

United States, China and the Soviet Union. During 1963-65, Pakistan sought to demonstrate its independence from the United States by taking an increasingly non-aligned stance on Southeast Asian problems and developing a close-knit regional grouping outside of CENTO -- the Regional Cooperation for Development (RCD) -- with Turkey and Iran. The United States, still concerned with the general Sino-Soviet threat, warned the Government of Pakistan that US-Pakistan relations would be severely damaged by increased Pak cooperation with China and decreased emphasis on SEATO and CENTO.

In 1963, the United States, along with Great Britain, had encouraged bilateral talks between the Indians and the Pakistanis, hoping that the climate for discussions had improved after the Chinese incursions. The talks took place but were a notable failure. Then, in the spring of 1965, planned visits to the United States by Prime Minister Shastri and President Ayub were indefinitely postponed by the White House.^{7/}

^{7/} Memorandum, William J. Handley to the Secretary, April 10, 1965, NEA/SOA (C. C. Laise and L. B. Laingen) (~~SECRET~~)

Pakistan was especially disturbed about the postponement because the July 1964 Pakistan Consortium meeting had also been postponed and because Pakistan resented equal treatment with non-aligned India. As Pakistan became more convinced that the United States was not going to support it against what it considered the threat of India, its foreign policy continued to diverge from the US course. The growing mutual disenchantment between the United States and Pakistan left the United States Government with little influence over its Pakistani "ally" when, in 1965, Indo-Pakistan relations reached the boiling point.^{8/}

2. The War

In April 1965 repeated clashes between Pakistani and Indian border patrols in the disputed territory of the Rann of Kutch, a salt marsh lying between India and West Pakistan near the Arabian Sea, grew into a confrontation between

^{8/} Ibid., Note 7

regular army units.^{9/} President Ayub Khan of Pakistan wrote President Johnson on May 11, asking him to remind Prime Minister Shastri of US assurances of support to Pakistan against aggression, and reiterating Pakistan's opposition to the US arming of India. After a month of sporadic fighting centering around several high points of land, a British-sponsored, American-endorsed cease-fire was signed on June 30, 1965.^{10/}

Tensions in Kashmir rose in late July and early August, 1965 as Pakistan sought to alter the status quo in the disputed area by infiltration of Indian-held Kashmir. The infiltration was begun on August 5, 1965 in an effort to revive Kashmir as an international issue and to encourage an indigenous uprising of Kashmiri Muslims. Although Indian patience had been severely strained in the early summer Rann of Kutch dispute and India had threatened to retaliate

^{9/} INR Intelligence Notes on "The Rann of Kutch Award," February 20, 1968 (~~CONFIDENTIAL~~).

^{10/} Ibid., note 1.

against Pakistan's actions, it is doubtful that Pakistan anticipated the strong Indian reaction that resulted. By September 1, the spread of local clashes between small units had assumed serious proportions along the 1949 cease-fire line. On that date, Pakistan army units supported by tanks launched an attack across the cease-fire line in southwest Kashmir in order to relieve the pressure from the Indian advances and to hit Indian communications lines.

Forewarned of these moves, Secretary Rusk and Ambassador Goldberg on August 31, 1965 had discussed what might be done through the United Nations. That afternoon, Ambassador Goldberg suggested to Secretary General U Thant that he issue an appeal to the leaders of the two countries.^{11/} U Thant did so on September 1 and expressed his deep concern over the deterioration of the situation. He requested both countries to respect the cease-fire agreement, withdraw their respective armed personnel from the other party's side

^{11/} From USUN, Telegram 589, August 31, 1965
(UNCLASSIFIED).

of the cease-fire line, and arrange a peaceful solution of the Kashmir problem.^{12/}

On September 1, President Johnson received a letter from President Ayub Khan informing him that the situation in Kashmir had taken a grave turn. He claimed that India's blame of outsiders for trouble was false -- that "the people who have challenged the might of India's occupation army are not 'raiders,' but sons of the soil of Kashmir fighting for their freedom and ready to make the supreme sacrifice in that cause." Ayub went on to say that Pakistan would support the cause of the people of Kashmir, and predicated the restoration of calm on India's agreeing to self-determination in Kashmir. Ayub did not ask President Johnson to act; he merely informed him of the Pakistan viewpoint.^{13/} The President replied on September 4, expressing agreement with Ayub's concern for peace in Kashmir. He urged

^{12/} From USUN, Telegram 595, September 1, 1965 (UNCLASSIFIED).

^{13/} Letter of President Ayub Khan to President Lyndon B. Johnson, September 1, 1965.

Pakistan to accept U Thant's September 1 cease-fire appeal and not to resort to force to settle disputes. Stating a desire to hold early personal talks on the matter, President Johnson said that he would welcome any suggestions from Ayub on what could usefully be done.^{14/} Ambassador McConaughy strongly reiterated this position during his September 4 call at the Foreign Office in Karachi, urging the Government of Pakistan to comply with the cease-fire appeal.^{15/}

On September 4, Ambassador Goldberg, in his capacity as UN Security Council President, convened the Council to consider the rapidly deteriorating situation. As US representative he took the lead in urging compliance by the parties with the Secretary General's appeals of September 1 and said that he hoped the Council would place its authority behind measures to bring about a cease-fire.^{16/} Other

^{14/} To Karachi, Telegram 02720, September 4, 1965
~~(CONFIDENTIAL)~~.

^{15/} Situation Report, Kashmir Working Group, September 5, 1965, 0900, (subsequently cited as Sitrep) ~~(SECRET)~~.

^{16/} Security Council Document S/PV.1237, September 4, 1965 (UNCLASSIFIED).

delegates spoke along similar lines, and after bitter exchanges between the Pakistani and Indian representatives (neither of whom was a member of the Council at the time), the Council unanimously adopted a resolution calling inter alia for an immediate cease-fire, the withdrawal of all troops to their own sides of the old cease-fire line, and asking the Secretary General to report back to the Council on implementation of the resolution.^{17/}

U Thant informed the Council on September 6 that neither side had replied to the September 4 resolution, but that, on the contrary, fighting had intensified. From other reports it was learned that Indian forces had crossed the Punjab border and were driving toward Lahore. In Washington, Secretary Rusk telephoned the Indian and Pakistani Ambassadors on September 6 urging support of the Secretary General's cease-fire appeal.^{18/}

The Security Council met in emergency session September 6

^{17/} Security Council Document S/RES/209 (1965), September 4, 1965 (UNCLASSIFIED).

^{18/} Sitrep, September 7, 1965, 0800 ~~(SECRET)~~.

to consider the situation described by the Secretary General. The session was devoted largely to mutual accusations between the Indian and Pakistani representatives, after which the Council unanimously adopted a resolution similar to but somewhat stronger than that of September 4.^{19/} Following this action, U Thant announced that he would go to the area to consult personally with the leaders of the two countries. Ambassador Goldberg welcomed this development and urged the parties to comply with the Council's resolutions "before the point of no return has been reached."^{20/}

After Indian forces crossed the international border near Lahore, the United States received a Pakistani request for implementation of its defense pact assurances of aid against aggression. On September 9, Ambassador McConaughy presented the US response to Foreign Minister Bhutto, stating that the United States intended to work through the UN for a cease-fire and settlement. Bhutto later commented that if

^{19/} Security Council Document S/RES/210 (1965), September 6, 1965 (UNCLASSIFIED).

^{20/} Security Council Document S/PV. 1238, September 6, 1965 (UNCLASSIFIED).

nations could always rely on the UN bilateral alliances (such as the US-Pakistan Defense Agreement) would be unnecessary. ^{21/}

On September 8, the United States suspended all military assistance shipments to India and Pakistan and directed a ban on the issuance of export licenses for cash purchases of military supplies in the United States. The \$128 million of grant equipment in the pipeline for the two warring nations was diverted and re-programmed elsewhere. Negotiations for new economic aid (except food) were also cut off.

Throughout this latter phase of fighting, the United States made numerous approaches to the Governments of Iran and Turkey to dissuade them from providing the military aid requested by Pakistan. ^{23/}

On September 15, President Ayub, in a news conference, made a further direct appeal to President Johnson to bring US power and influence to bear to end the conflict. ^{24/}

^{21/} Sitrep, September 10, 1965, 0600 (~~SECRET~~).

^{22/} Draft "Chronology of Military Supply Policy for South Asia," April 4, 1967, NEA/PAF (~~SECRET~~).

^{23/} Sitrep, September 7, 11, 21, 1965 (~~SECRET~~).

^{24/} Sitrep, September 15, 1965, 0600 (~~SECRET~~).

During the period from September 10 to September 22, the Indians became increasingly concerned about the possibility of Chinese action to help Pakistan. There were numerous reports of military activity along the border areas. ^{25/}

On September 16, Communist China presented a virtual ultimatum threatening "grave consequences" to India and protesting "Indian incursions" into Chinese territory in the northeast of India. The United States was anxious that Pakistan not call on the Chinese in desperation; thus there were renewed US efforts to stop the conflict and to have the UN pass a resolution to bring the fighting to an end and to deal with the underlying problems including Kashmir. ^{26/}

Secretary General U Thant spent September 7-15 travelling between Rawalpindi and New Delhi trying to negotiate the terms of a cease-fire. He returned to New York on September 16, and the Security Council met on the two succeeding

^{25/} Sitrep, September 10, 11, 15, 20, 21 ~~(SECRET)~~.

^{26/} INR Research Memorandum, "Chronology of Indo-Pak Conflict," #11, September 21, 1965 ~~(SECRET)~~.

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days to consider his report. In the course of these deliberations Ambassador Goldberg emphasized that the United States had suspended shipments of military equipment to both countries to support the Security Council resolutions and to help bring about an end to the conflict. Referring to the Red Chinese ultimatum to India, he warned that Peking was trying to exploit the situation for its own purposes.^{27/}

Ayub told Ambassador McConaughy on September 20 that the United States must play a decisive role in surmounting the crisis. He pointed out that the USSR was trying to seize the initiative by inviting Ayub and Shastri to meet at Tashkent. Ambassador McConaughy responded that an unconditional cease-fire under UN auspices was an inescapable, imperative requirement and urged Pakistan to continue to discourage Chinese Communist intervention.^{28/}

After a weekend of consultations in New York the Security Council reconvened shortly after midnight on

^{27/} Security Council Document S/PV.1241, September 18, 1965 (UNCLASSIFIED).

^{28/} Sitrep, September 20, 1965, 1700 ~~(SECRET)~~.

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September 20 and adopted a resolution "demanding" a cease-fire to take effect by 3:00 a.m. (New York time) on September 22 and withdrawal of forces to the pre-August 5 positions.^{29/} On September 21, India, upon being informed that Pakistan had agreed to it, told the UN that it would observe the cease-fire. The Council convened at 2:35 a.m. on September 22; and at exactly 3:00 a.m. the Pakistani Foreign Minister read a statement accepting the cease-fire, effective at 3:05 a.m. After consultations Ambassador Goldberg announced the Council's decision to call upon both governments to implement their adherence to the cease-fire "not later than 6:00 p.m. ECT" that day.^{30/}

The Secretary General on September 23 established the United Nations India-Pakistan Observer Mission (UNIPOM) to observe the cease-fire and withdrawal along the international boundary and to supplement the work of the already existing United Nations Military Observer Group in India and Pakistan

^{29/} Security Council Document S/RES/211 (1965), September 21, 1965 (UNCLASSIFIED).

^{30/} Security Council Document S/PV. 1244, September 22, 1965 (UNCLASSIFIED).

(UNMOGIP) which continued its function of monitoring the cease-fire line in Kashmir. Notwithstanding the UN efforts, the Secretary General reported on September 26 that fighting continued in certain sectors. The Council convened again on September 27 and unanimously adopted a resolution demanding that the parties urgently honor their commitments to observe the cease-fire and withdraw all armed personnel.^{31/}

Throughout the early part of October there were constant violations of the cease-fire, and the two UN observer groups sought to investigate and to provide a restraining influence on the parties. Nevertheless, at the request of Pakistan the Council met again on October 25 and 27-28 to discuss its complaint of deterioration in the situation. At these meetings the USSR was critical of what it regarded as unauthorized activity by the Secretary General in creating UNIPOM, and both the USSR and France sought to limit the scope of the observer group. The US representative strongly defended the role of the Secretary General and his handling of the Indo-Pakistani crisis.^{32/}

^{31/} Security Council Document S/RES/214 (1965), September 27, 1965 (UNCLASSIFIED).

^{32/} Security Council Document S/PV. 1247, October 25, 1965 (UNCLASSIFIED).

When the Council next met on November 5, the question of withdrawal of forces was still unresolved. The Council again voted to urge the parties to accept its September 20 resolution "in all its parts." ^{33/} The crisis was by then beginning to subside and the Security Council did not find it necessary to meet again to consider it.

The United States had actively supported the Secretary General's initiatives in talking to Indian and Pakistani leaders in their respective capitals. Ambassadors Bowles in India and McConaughy in Pakistan made repeated calls on the respective foreign offices urging limitation on the conflict and compliance with the UN cease-fire appeals. ^{34/} There was a steady flow of discussion within the United States Government involving the State Department, Congress and the White House. Continuous contact had also been maintained with the Indians and Pakistanis both in their countries and in Washington and New York. US officials in other countries such as Iran and Turkey had worked hard to maintain pressure from all sides for a settlement.

^{33/} Security Council Document S/RES/215 (1965)
November 5, 1965 (UNCLASSIFIED).

^{34/} Sitreps, September 3-22, 1965 (~~SECRET~~).

3. Aftermath

Following the war, there was frustration in both countries since there had not been a clear-cut victory for either side. The Pakistanis were especially disgruntled since they had failed to upset the status quo in Kashmir. Pakistan turned its wrath on the United States, claiming that the suspension of military aid, the failure to honor defense pact assurances, and recent military aid to India were the actions of an enemy, not an ally.

The key ingredients involved in finally halting the conflict concerned the great powers. The Chinese threat of military action obviously tempered any Indian thoughts of continuing action. The constancy of US policy in working through the UN for a cease-fire and terminating military and economic aid (except food) placed unrelenting pressure on both principals. Finally, the Soviet shift in the Security Council to a more balanced policy that favored neither side isolated the participants. This change was probably triggered by a fear that the Chinese would intervene

and thus perhaps precipitate an East-West confrontation.^{35/}

During Ayub's December 1965 visit to Washington, President Johnson urged him to strive hard for a settlement at the upcoming Tashkent conference. American officials made it clear that the resumption of aid depended on the effective restoration of peace and the normalization of relations. Premier Kosygin personally worked at Tashkent to help achieve the agreement finally signed on January 10 by Ayub and Shastri. It provided for withdrawal of armed forces to August 5 positions and for measures to reduce tension and restore normal relations.^{36/}

In February 1966, following implementation of the troop withdrawal provisions of the Tashkent Declaration, President Johnson authorized the resumption of the sale of non-lethal equipment and spares to both India and Pakistan. Shipment of lethal equipment and grant assistance remained in

^{35/} Draft briefing paper "Indo-Pak War Chronology," November 28, 1966 (~~SECRET~~).

^{36/} American University Field Service monograph, "Further Reflections on the Second Kashmir War," May 1966, Louis Depree.

suspension.^{37/} At the same time, Vice President Humphrey, while on an Asian tour, announced new commodity loans for India and Pakistan. In June 1966 economic aid was fully restored with the understanding that India intended to make key monetary reforms, and that each country would continue to demonstrate a regard for US interests in Asia, keep military spending down, and follow a moderate course in its relations with the other.^{38/}

Although troops were withdrawn and normalization of relations between the two countries begun, no real progress was made in solving most of the political issues that divided them. Moreover, the arms build-up continued, with India receiving increased aid from the USSR and Pakistan turning to Communist China and Europe (West Germany for F86 aircraft and France for Mirage fighters).^{39/}

^{37/} Briefing paper for Under Secretary Katzenbach, "US Military Supply Policy to India and Pakistan," NEA, September 23, 1966 (~~SECRET~~).

^{38/} Ibid., Note 2.

^{39/} Ibid., Note 3.

A major reassessment of our military supply policy in the subcontinent was begun soon after the hostilities and continued for many months. Whereas US pre-war policy had been directed toward the Chinese threat to India and the general Sino-Soviet threat, it had become obvious that poor Indo-Pakistani relations and the prospect of an arms race on the subcontinent would have to become primary determinants of our new military aid policy.^{40/} It was also recognized that India was of far greater strategic weight than Pakistan in relation to Communist China, a major US concern in the area. On the other hand, it was felt that Pakistan was a large and important country in its own right with a key role to play in the subcontinent.^{41/} As finally adopted after lengthy consideration, our new policy was announced in

^{40/} Bureau of Near Eastern and African Affairs, Memorandum for the President, "Military Supply Policy for India and Pakistan," August 1, 1966 ~~(SECRET)~~.

^{41/} Draft State/DOD Memorandum "An Analysis of US Military Assistance Policy toward India and Pakistan," July 25, 1966 ~~(SECRET)~~.

April 1967. It included:

- (1) the end of grant military assistance to both nations;
- (2) sale of spare parts for previously supplied US equipment on a case by case basis, but
- (3) no direct sales of lethal end-items to either country;
- (4) consideration of the sale of US-controlled equipment by third countries on a case-by-case basis.^{42/}

Since then, our military supply policy has been constantly reviewed and our aims have been refined. We continue to deplore the arms race in the subcontinent and to urge restraint on both nations. Although we recognize that any assistance to one of the countries raises a chorus of dissent in the other, we are attempting to formulate our policy with reference to the individual needs of each country. We are exploring the possibilities of a military supply relationship with Pakistan that will permit her to maintain a balance

^{42/} Memorandum for the President, "US Military Supply Policy towards South Asia,"
July 3, 1968 (~~SECRET~~).

between China, the USSR and the West. In addition, we are concerned about whether we can relieve the Indians of complete dependence on the USSR. We do not want again to become a major supplier to either nation ourselves.^{43/}

The reassessment of our military supply policy has been matched by reconsideration of our overall policy toward the two countries. A number of factors have become important to the United States in its policies in the subcontinent since the 1965 war. Soviet influence has continued to grow in both economic and military fields in India. The USSR, a major military supplier to India for a number of years, made overtures of military aid to Pakistan in the summer of 1968. Pakistan has terminated the agreement for the Peshawar communications facility. Indo-Pak hostility has continued, with only minor progress on the subpolitical level although renewed armed conflict appears unlikely.

^{43/} Talking points paper for Indo-US Talks, July 26-28, 1968, "South Asia and the Great Powers," (~~CONFIDENTIAL~~).

Although we continue to value our relations with Pakistan, our decisions and priorities reflect recognition of India's size and role in world affairs. In July 1968, for example, we held the first in a planned series of annual bilateral talks with the Indians to discuss our respective views of Asia and the world.

We continued to feel that Indo-Pakistan reconciliation is the best hope for long-range peace and stability in the subcontinent. However, we did not believe that a US initiative alone would bring about such a rapprochement. While we were willing to help, we have not intended to mediate their disputes. We had no desire to establish any special balance, military or otherwise, in the subcontinent. We sought to maintain friendly relations with both India and Pakistan and we have pursued policies in each country which we consider to be in US interests even though this may at times be unpopular in the other country. US policy has remained committed to peace, security and economic growth in the subcontinent.^{44/}

^{44/} Scope paper for Indo-US Talks, July 26-28, 1968,
NEA/INC (CONFIDENTIAL).