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THE SECRETARY OF STATE
WASHINGTON

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*Needs explanation
of Bhutto's fears.
Pakistanism etc.*

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MEMORANDUM FOR: THE PRESIDENT

From: Henry A. Kissinger *K*

Subject: Visit of Pakistani Prime Minister
Zulfikar Ali Bhutto

I. PURPOSE

Pakistan occupies a strategic position athwart the approaches to the Persian Gulf and on the southern flanks of the USSR and China. Recurrent disputes between India and Pakistan have been a serious destabilizing factor regionally and have threatened great power involvement because each has relied on outside support. We wish to stand aside from these regional disputes, but we have important historical and security ties with Pakistan. We share with China and Iran a deep concern to maintain Pakistan's political and economic viability as an element in regional stability. We strongly support but have avoided involvement in the "Simla" process of reconciliation among India, Pakistan and Bangladesh that followed the 1971 war.

Prime Minister Bhutto comes to Washington at this time to (1) establish a personal relationship with you; (2) seek reassurance that improving Indo-U. S. relations are not at Pakistan's expense; (3) obtain a lifting of our embargo on the sale of weapons to Pakistan and (4) get additional concessional food commitments.

Your purpose in this meeting will be to:

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-- reaffirm our long-standing support for Pakistan's independence and territorial integrity;

-- inform Bhutto that we are prepared to lift the arms embargo to permit limited cash sales on a case-by-case basis;

-- encourage his continued commitment to a process of reconciliation in South Asia;

-- engage Bhutto in a dialogue about Pakistan's nuclear intentions, with a view toward forestalling a decision to develop a nuclear explosion;

-- inform Bhutto of our willingness to provide additional P. L. 480 wheat.

II. BACKGROUND AND STRATEGY

A. Background

We have long had good relations with Pakistan, although they cooled considerably in the 60s as Pakistan moved closer to China and the U. S. imposed an arms embargo on both sides during the 1965 Indo-Pakistani war. Relations became very close in 1971 when we sought to prevent the war with India that resulted in Pakistan's loss of its Eastern Wing (now Bangladesh). In the aftermath of that war, we have been highly supportive of Pakistan, most notably with more than half a billion dollars of economic assistance. We have also given high visibility to our assurances of support for Pakistan's independence and territorial integrity (most specifically when Bhutto visited President Nixon here in September 1973).

Bhutto has sought additional support, however, in the form of arms sales which have remained under embargo to both India and Pakistan since 1965 (although we do sell spare parts, non-lethal items and some ammunition). While Pakistan is able to buy modern arms from France and China, Bhutto regards our

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embargo as both discriminatory and illogical, especially in view of Pakistan's CENTO membership, the 1959 U. S.-Pakistan defense agreement and current U. S. policy of selling arms to Iran and elsewhere in the Middle East. In urging an end to the embargo, Bhutto seeks both the political reassurances this step would represent, and access to sophisticated weapons at lower prices than are available from European sources.

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While we have been sympathetic to Bhutto on this issue, we have held off a decision because of our desire to avoid Congressional complications, to improve our own relations with India and to encourage direct negotiations between India and Pakistan for normalization of their relations.

A related security issue is Pakistan's nuclear development program. There is considerable evidence that Pakistan is now embarked on a program that could in time give it the option to duplicate India's nuclear explosion last May. Pakistani development of a nuclear explosion would be a set-back to our broad non-proliferation goals and add a new element of instability in South Asia. While we recognize that Bhutto would face severe domestic political problems if seen to be yielding to U. S. pressure to forego the nuclear explosion option, he himself has publicly related his nuclear intentions to Pakistan's ability to obtain suitable conventional arms for its security.

In addition to action on arms, Bhutto wants to obtain additional concessional food from the U. S. under P. L. 480 and CCC credits. Pakistan has been approaching food self-sufficiency for several years but a disappointing wheat crop in 1974, a current severe drought, and damage to its large new dam at Tarbela have necessitated wheat imports of some 1.5 million tons in this fiscal year. Pakistan thus far has arranged for commercial and concessional imports of about a million tons (including 100,000 tons under P. L. 480). Bhutto would like to obtain an additional 200,000 tons

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under P. L. 480 and 200,000 tons under CCC credits. Pakistan also imports about \$150 million in vegetable oil and would like to have concessional sales from the U. S.

Pakistan's general economic situation, while better than that of its South Asian neighbors, is somewhat fragile. Pakistan faces a balance-of-payments problem only partially alleviated by support from Iran and other oil producers. Although nominally welcoming foreign investment, a number of American investors (fertilizers, oil refinery, pharmaceuticals) have found their experiences unsatisfactory. There is little new investor interest, except in oil and gas exploration. Pakistan continues to place a high value on economic assistance from the U. S. and other members of the Aid-to-Pakistan Consortium.

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B. Strategy

Our basic policy toward Pakistan in recent years has been to provide political and psychological support for its independence and territorial integrity, and economic assistance to buttress its viability. We have avoided direct involvement in regional disputes, while encouraging Pakistan to negotiate directly its bilateral problems with India, Bangladesh and Afghanistan. This strategy has had some success. Under Bhutto's leadership, Pakistan has recovered well from the trauma of 1971, and has engaged in a fundamental process of reconciliation with India under the Simla Agreement signed with Mrs. Gandhi in mid-1972. Pakistan has recognized Bangladesh, although important differences remain to be sorted out. Pakistan's relations with Afghanistan are poor, but tensions have subsided in recent months.

More explanation

We believe we should now go one step further in strengthening our relations with Pakistan, by lifting the embargo on sales of lethal weapons to Pakistan. This decision will cause some problems

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with Congress and an adverse reaction from India. In order to deal with this we intend to limit sales to a cash basis only and, at least initially, to items that have a clearly defensive purpose. It is important Bhutto understand that continuing Congressional concern over arms sales requires that we move cautiously on the types and amounts of arms that we sell to Pakistan. We also want to emphasize in this context our strong belief that Pakistan's ultimate security lies in continued progress toward economic viability and in continued commitment to the process of normalization with India.

Informing Bhutto of your decision on arms provides an opportunity to begin a dialogue with him on nuclear issues. Ideally we would like to see Pakistan renounce a nuclear explosion option and agree to place all its future nuclear installations under IAEA safeguards. However, we recognize that such a far-reaching commitment would be politically difficult for Bhutto to make, and we are not seeking to make this a quid pro quo for the lifting of the arms embargo. Nevertheless, in terms of our interest in containing Congressional and Indian reaction on arms supply, we would like to see Bhutto indicate publicly a non-proliferation stance.

On economic issues, we are prepared to be forthcoming on P. L. 480 wheat and to indicate continuing support with our bilateral aid programs. We have already signed an agreement for 100,000 tons of wheat and we can now provide an additional 150,000 tons. We hope to be able to provide up to 120,000 tons more but final decisions on this have not yet been made. We are not providing any vegetable oil under P. L. 480 this year, and the Pakistanis are aware of our position. We have earmarked \$78 million in loans and grants for our bilateral aid program in FY 75. There have been some difficulties in programming these funds against specific projects, but we are sorting these out. One area where we hope to be helpful is in the provision of funds, through the World Bank, to help meet the

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estimated \$60 million repair costs for unanticipated damages to the Tarbela Dam, but this will depend on Congressional action.

III. TALKING POINTS

Security and Nuclear Issues

-- We continue to value highly our close relations with Pakistan. There has been no change in our long-standing support for Pakistan's independence and territorial integrity.

-- We have been deeply impressed by the progress Pakistan and India have made over the past three years in normalizing their relations under the Simla process. We know that you are committed to peace and stability in South Asia and we share that commitment.

-- We hope very much that Pakistan will also play its part in building a mutually beneficial relationship with Bangladesh and in improving relations with Afghanistan.

-- We are aware of your security concerns. I have had the opportunity to discuss them directly with Minister Aziz Ahmed during his earlier visit, and you have discussed them on several occasions with Secretary Kissinger.

-- There has been, and still is, serious Congressional opposition to American arms sales abroad. However, we believe that in the climate of normalization that has taken place in South Asia, there will now be a better understanding in this country of a modification of our policy.

-- I have therefore decided to lift the embargo on the sale of lethal arms to Pakistan and India. We will in the future consider Pakistan's requests on a case-by-case basis, keeping in mind in the process the outlook for peace in South Asia, and the sensitivities of our own Congress.

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-- Given the Congressional climate, our sales must be on a cash basis only.

-- In implementing this new policy which replaces an embargo now ten years old, we will need to move cautiously with full regard for what our political processes will support. We will of course first expect to hear from you where your priority needs are. From our viewpoint we would like to place emphasis in areas such as air defense that will be seen as clearly enhancing Pakistan's defensive requirements. We will want to avoid items which may be viewed as particularly sensitive in the South Asian context at this time.

-- We are deeply committed to the process of normalization and reconciliation in South Asia, and Pakistan's policies in this area will affect what we can do in implementing an arms sales policy. We have made it clear that we do not intend to upset by our actions the regional balance. We therefore do not expect to become a major arms supplier, nor do we seek to supplant Pakistan's other suppliers such as China and Western European countries.

-- We would like to see all major arms suppliers to South Asia exercise restraint.

-- You have publicly linked the lifting of our arms embargo to the question of whether or not Pakistan should pursue a nuclear explosives program. We share your deep concern with the implications of the Indian explosion, but we also believe that the damage to international non-proliferation efforts and the threat to regional security would be substantially increased should Pakistan try to emulate the Indian example.

-- We hope that the action we are taking will encourage you to avoid the politically risky and costly development of nuclear explosives. Over the long run, our relations would be affected if Pakistan were seen to be working toward a nuclear explosion.

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-- It would be most helpful to us in dealing with Congressional and Indian criticism if you could publicly provide some assurances of Pakistan's peaceful intentions in regard to nuclear development. Assurances from you would also strengthen multilateral efforts to keep India from developing nuclear weapons systems.

-- Looking ahead, we will welcome continuing discussions with you on nuclear issues, both in terms of deepening our bilateral cooperation and on the vital issue of safeguards. On the latter question, we hope that you would give consideration to placing all your nuclear facilities under IAEA safeguards.

-- We will need a little time to complete our own processes of Congressional notification before we can announce the lifting of the embargo. We will, of course, also inform the Indians before we announce the change. We expect to make the announcement in about two weeks, and we will inform you when we are ready to go public.

-- In the meantime, we will need your cooperation in avoiding leaks or unnecessary speculation. We will respond to press inquiries by saying that you have conveyed your security concerns to us during your talks here and that we continue to keep our policy under close review.

Food and Economic Assistance

-- We have given priority consideration to Pakistan's food requirements and we intend to be as helpful as we can within our own budgetary and supply constraints.

-- We are now prepared to provide an additional 150,000 tons of Title I wheat bringing our FY 75 total to 250,000 tons. We hope that we will be able to provide another 120,000 tons, but we have not yet completed our review of allocations for the remainder of the year.

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-- With this expected level of 370,000 tons under P. L. 480, we do not plan to make CCC credits available for additional commercial purchases.

-- Unfortunately our own supply position on vegetable oil precludes shipments under P. L. 480 in this fiscal year.

-- We intend to continue our bilateral economic assistance programs to Pakistan at a high level. Although there have been some difficulties in programming specific projects, we will continue to work closely with your government to achieve a program that will contribute to Pakistan's development and well-being.



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