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16 Jun 56

Mr. Chester Bowles
Essex
Connecticut

Dear Chester:

I certainly appreciate your sending me a copy of your memo on South Asia with your note of May 29.

Your observations are most interesting and I would like very much to talk with you about them at your convenience. If you plan to be in Washington any time soon please let me know and we can arrange a get-together here. Otherwise, next time I manage a trip to New York I will try to see you there.

Faithfully,

Allen W. Dulles
Director

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CHESTER BOWLES
ESSEX, CONNECTICUT

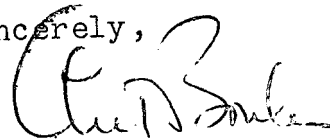
May 29, 1956

Dear Allen:

The attached memo was hurriedly written at the urgent request of some friends on the Hill. I would like to talk to you about it sometime. The situation seems to me likely to become increasingly dangerous.

With my best wishes.

Sincerely,



Chester Bowles

Mr. Allen Dulles
Central Intelligence Agency
2430 E Street, N.W.
Washington, D. C.

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NOTE

For several years now the world situation has been crying for a balanced American foreign policy that takes into account, not only the demands of military defense, but the equally urgent requirements of economics, politics, geography and ideology.

This confidential and informal memorandum dealing with South Asia and written hurriedly at the request of several members of Congress describes a classic example of what may occur in a specific area when these broad dimensions are ignored. It also offers some suggestions on how the missing balance may be restored.

It is not surprising that many members of Congress have become disenchanted with foreign economic assistance. In large measure their negative reaction grows out of the fact that many of the promises which have been made in behalf of such aid have never been achievable.

Foreign economic assistance, for instance, will not in itself buy friends, create reservoirs of gratitude, or automatically turn hungry Asian peasants into advocates of the American way. What it will do if administered ably, firmly, and tactfully and if it is adequate in amount, is to make it possible for the more capable Asian and African governments to create the foundations for the rapid economic growth which is essential to political stability--to create the conditions under which free governments can survive in their own right.

To those who suggest that we cannot afford constructive economic assistance--only military defense--may I suggest that history will make no similar distinction between the means by which our adversaries seek to expand their power and influence. Whether a nation loses its freedom by military aggression or by political and economic absorption will be considered quite beside the point.

To keep South Korea out of Communist control we spent \$45 billion in military equipment in addition to 30 thousand young American lives. The non-military programs which are sorely needed now to help create the indigenous economic and political strength which alone can keep South Asia out of the Soviet orbit calls for less than 5% of this sum during the next five years.

Chester Bowles

May 28, 1956

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MEMORANDUM

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From: Chester Bowles

DATE: May 28, 1956

SUBJECT: Why the Foreign Aid Program in its Present Form
Decreases Rather Than Increases the Outlook for
Stability in South Asia.

SUMMARY

(1) Our interests in South Asia (Afghanistan, Pakistan, India and Ceylon) are best served by the development of independent, viable, politically stable nations able and willing to resist any effort on the part of Moscow or Peking to dominate their affairs by whatever means, cooperative and friendly towards the United States. (Communism in China now threatens the balance of power in Eurasia; Communism in India would totally upset the world balance.)

(2) Through our present policies in this part of the world, particularly as they are expressed in the foreign aid bill now under consideration by Congress, we are inadvertently setting the stage for:

- (a) The further expansion of the Soviet Union into Afghanistan.
- (b) Increased tensions between Pakistan, India and Afghanistan.
- (c) New difficulties for India in her crucial effort to achieve political stability based on rapid economic growth, and bitter resentment among the Indian people against the United States.
- (d) Less, rather than more, security for Pakistan itself.
- (e) Further gains for the Soviet Union in her effort to shut America out of Asia and to draw India closer

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(3) The present steady drift towards a new and profoundly serious setback for American interests in this part of the world can be reversed only by the prompt reorientation of our economic and military policy in line with the principles laid down by President Eisenhower but so far not translated into policy. A new approach, if launched in the next few months, may indeed enable us to recapture the initiative. A bold and perhaps decisive economic program in this key area with its 500 million people could be provided for no more than 8% of the present proposed foreign aid budget.

Congress Faces a Difficult Decision

In the next thirty days Congress will enact a new foreign assistance bill based on the request of the Administration for \$4.9 billion. Observers in both political parties have pointed out that the proposed legislation appears largely to ignore the implications of the Soviet political and economic offensive which has taken shape in the last few months, and to be sharply at cross purposes with recent statements by the President and Secretary of State.

During the last three years our foreign policy has had a heavy military orientation. Close to 99% of the \$146 billion which we have spent during this period on national security (by which I mean the direct cost of military defense, military support, overseas bases, intelligence, foreign information, State Department expenses, Point Four, etc.) has been spent under the direction of the Pentagon.

Of the relatively small fraction spent on non-military, Point Four economic development, two-thirds has gone to three countries-- South Vietnam, South Korea and Formosa--which represent primarily

military problems and include only three percent of the population of the non-Communist, underdeveloped areas of the world. Economic assistance to these uncommitted nations, which are the primary political and economic targets of the new Soviet tactics, has been no more than \$300 million annually.

The dramatic switch of Soviet policy into the economic and political field has been neither new or unexpected. It was foreshadowed at the 19th Congress of the Communist Party in 1952 and since Stalin's death in 1953 it has been developing openly and steadily. In May of that year, I wrote:

"There are already disturbing signs that Moscow's indifference to the political possibilities of economic assistance to the non-Communist nations of Asia may be changing and that a new period of 'ruble diplomacy' lies ahead... A devastatingly effective Soviet version of Point Four could be put together for less than one-fourth of the present \$8 billion annual increase in Russia's annual income... the possibilities are sobering to contemplate. If we continue to put our exclusive faith in military negation we will lose our big chance."

Within the Administration there were also many who foresaw the importance of the Soviet approach. In the spring of 1954 leading officials launched studies of our foreign economic policy at Massachusetts Institute of Technology to develop ways in which it could be reorientated to meet these new tactics. Because of differences within the government the excellent study which resulted was pigeonholed and the military focus continued.

The \$4.9 billion foreign aid program now under consideration reflects this same persistent disregard of the new realities of the changing world situation. It remains, not an economic development program, but primarily a military program. Congress has in fact been

asked to increase military assistance by \$2 billion over the previous fiscal year at the very time when the Soviet Union is wooing Asia and Africa with the news of a 25% cut in her armed forces.

Because of the complexity of these questions and the pressures of an election year, Congress is now tempted to do what it can with an unsound piece of legislation and hope that a more thoughtful program may be made ready for the next session. The sense of frustration which encourages this course of action is understandable. But the implications of our failure to come to grips for yet another year with the deterioration of America's position in Asia and Africa in general and South Asia in particular, are serious indeed.

Background of Our Current Dilemma

For more than 200 years South Central Asia has been a troubled area subject to continuing Russian pressures from the north. For generations these pressures were successfully met by a tough-minded and astute British diplomacy backed by the power of the Indian Army.

Britain succeeded in setting up a line of buffer states consisting of Tibet, Nepal and Afghanistan, generally friendly to the British and constituting a no-man's land between British Territory and the Russian and Chinese empires. Three Afghan wars were fought to keep Russia, the "bear that walks like a man" behind his established borders beyond the Oxus.

When the British Cabinet in 1947 accepted the demands of India and Pakistan for independence it was deeply concerned for the defense of this strategically crucial area. British officials pressed India and Pakistan to accept a common military command which would unite their two military forces in defense of the Subcontinent by the

historic invasion route that runs through Afghanistan. But the bitterness which had developed between India, which advocated a united, secular state, and Pakistan, which felt that it could be secure only within a Muslim oriented nation, made this joint defense impossible.

Difficulties also developed between Pakistan and Afghanistan, both Muslim states, over the status of Pushtoonistan, an area inhabited by the Pathans, much of which lies behind the Pakistan border established by the British in 1894. The Afghans, whose king belongs to a Pathan family, favor a plebiscite to decide the future of Pushtoonistan. The Pakistani vigorously oppose this, and argue that the Afghans have raised an artificial issue.

Afghanistan's only effective access to the outside world lies through Pakistani ports on the Arabian Sea or by land through the Soviet Union. (Communications through Iran are difficult). The degree of control that this gives Pakistan over Afghanistan's economic life has intensified the conflict.

Side by side with the sharp differences between Afghanistan and Pakistan is the continuing conflict between India and Pakistan which was intensified by the riots in 1947 between Muslims, Hindus and Sikhs in which some 300 thousand people are said to have been killed. These differences include the question of irrigation water in the Indus River Valley, the property of the six million refugees and finally to Kashmir, a former princely state, the control of which became a source of bitter conflict leading the two countries to the verge of a major war in late 1947 and early 1948.

These issues are highly technical and complex and the viewpoints on both sides are sincerely and emotionally held. Nevertheless, in 1952 and 1953 they did not seem beyond the range of rational settlement. At ~~Approved For Release 2004/04/01 : CIA-RDP80R01731R000400470018-2~~ ~~Approved For Release 2004/04/01 : CIA-RDP80R01731R000400470018-2~~ a settlement of the Kashmir

question which would have assigned Azad Kashmir, the area now occupied by Pakistan troops, to Pakistan, Jammu and Ladakh which are Hindu and Buddhist to India, with a plebiscite confined to the valley of Kashmir, seemed almost within reach.

The question of water distribution is indeed still being negotiated through the patient efforts of the World Bank. A proposal has been made by the Bank, accepted by India, and is now under consideration by Pakistan. The question of Pushtoonistan is in many ways more complex and at least as emotionally charged. But even here there was no reason for thoughtful people to give up hope of a rational outcome.

The Impact of the U.S. - Pakistan Arms Agreement

The proposal of a military alliance between Pakistan and the United States was raised as early as 1951, and seriously discussed in 1952 as part of the proposed Middle East Defense Organization (MEDO).

With others I opposed it on the ground that it would upset the delicately poised balance of power between Pakistan and her two neighbors, Afghanistan to the north and India to the south. More specifically, I argued that it would open up Afghanistan and the Middle East to Soviet economic and political penetration, further antagonize Indian opinion against the United States, and lead inevitably to a futile intraregional arms race which would serve only to set back the economic expansion and thus the political stability of both countries.

This proposal was abandoned in 1952, but reopened in the following year by

reports stated that an agreement was under active consideration under which we would arm a number of Pakistani divisions with the most up-to-date weapons.

In a letter to the State Department in December of that year I expressed the view that whatever meager military advantages might flow from the rumored agreement would be far outweighed by the profound resentment which would be created in India, the conflicts which would be further encouraged in the Middle East, and the opportunity which would be given to the Soviet Union for economic and political penetration to the south. "A substantial offer of Soviet economic aid to bolster India's Five Year Plan will," I said, "almost certainly follow, plus a vigorous new Soviet attempt to dominate and infiltrate Afghanistan."

However, the economic, political, ideological and historical elements in this situation were discounted, and narrow military considerations dictated a decision to move ahead. The defense advantages of 200 thousand well equipped Pakistani troops were thought to outweigh the increased antagonism which might be aroused in the two neighboring countries. The extent to which those antagonisms would create new sources of instability and insecurity was overlooked.

Later Pakistan became part of SEATO and the Bagdad Pact. Shipments of military equipment to Pakistan were begun. The proposed assistance program for fiscal 1957 calls for substantial increases in this program.

Reaction in Afghanistan and India

The Afghan reaction to this agreement was vigorous. Agitation over the Pushtoonistan issue sharpened and mobs demonstrated in both Kabul and Karachi. The Afghans charged that the Pakistani had closed down the border for a period of five months, which, they said, further increased their dependence on the Soviet Union for such essential imports as oil.

Moscow promptly advanced a \$100 million loan drawing account for Afghan economic development, an oil pipeline was run from the Soviet border to Kabul, large numbers of Soviet technicians entered the country. Close economic and political ties between Afghanistan and Russia are now well advanced.

An experienced and astute Western observer in a South Asian capital recently stated, "I do not know how many hundreds of young Englishmen and Indians were killed to keep the Russians out of Afghanistan in the course of the three Afghan wars. But one thing is clear: since the United States agreed to build up Pakistan's military strength three years ago the Russians have made more progress there than in the previous century--and without firing a single shot."

The impact of the United States-Pakistan arms agreement on India has been somewhat less dramatic, but for the long haul it may be even more destructive to our interests. Six months after the arms agreement was signed the Indian government, having previously failed to secure financing from America for a steel mill, turned to the Soviet Union for assistance and met with a favorable response. Unable to secure certain key technicians from the United Kingdom, the Indians requested them from Moscow and they were promptly provided. Today Soviet missions are in India exploring for oil, setting up technological centers and studying the possibility of additional economic

development.

After the announcement of our agreement to provide arms to Pakistan there was also demand in Parliament by the Communists on the extreme left, and the Hindu Mahasabha on the extreme right, that arms be procured from the Soviet Union to maintain the military balance. Prime Minister Nehru vetoed these proposals, while at the same time vigorously protesting our action.

Recently, as the deliveries of American equipment have been stepped up, pressures on the Indian government have increased both in Parliament and in the press. Because of latent fears of a return to Moslem rule and memories of the bloody riots of 1947, this is the one foreign policy issue that the Indian peasant clearly understands. He associates us directly with the arming of his adversary and thus for the first time he is beginning to turn against America. Since 1953, nearly 2 million Hindu refugees have entered India from East Pakistan. The high point was March 1956 when the number totalled 80 thousand.

In the next year or two as a result of the upset in the military balance, the Indian government will, in all likelihood, feel that it must choose between two courses of action, each of which is disadvantageous to our interests and unwelcome to the Indians:

(1) India may dip heavily into her already inadequate economic development funds to buy from Britain, France, or elsewhere, whatever arms may be necessary to redress the balance. Some Indian sources argue that this would cost the Indian government more than we are now providing in economic assistance.

(2) India may purchase arms from the Soviet Union through a long-term, low interest loan. I believe that the Indian government would be reluctant to accept this course of action except under grave

pressure. Yet as tensions between Pakistan and India become more acute, harrassed New Delhi policy-makers may begin to see this as the one way out of what already appears to many of them as an impossible situation.

We have urged a third alternative: the acceptance of Pakistan's rapid military expansion on the ground that it does not represent a threat to India. In view of the traditional tensions between the two countries, India is no more likely to accept this interpretation than we would be to disregard a fundamental shift in the military balance of power between ourselves and the Soviet Union. The suggestion that India join our alliance and secure free American equipment will be interpreted by a proud, young, nationalistic government, however unfairly, as a proposal that it should abandon its independence under pressure.

An experienced European observer described India's reaction in the following terms: "For several years relations between Egypt and Israel were tense and suspicious, but relatively quiescent in a state of uneasy balance. Then the Soviet Union seeing new opportunity for trouble making, sent arms to Egypt, the military balance was upset, Israel reacted vigorously, and America properly called Moscow to account for a reckless and provactive act. Why cannot America understand that, however, sincere her reasons, this is precisely how her military build up of Pakistan appears to Pakistan's nervous neighbors?"

Not More Security, But Less

It is difficult under the circumstances to accept the Pentagon statement that our heavy investment in arms for Pakistan will increase the security and stability of the critical South Asian area. Indeed,

the precise opposite is the case.

Afghanistan, in the face of the Pakistan military expansion, is steadily becoming more dependent upon the Soviet Union for funds for economic development, the unhampered flow of commodities which are essential to her growth, and, in the minds of many Afghan leaders, for military protection. Inevitably this will bring Afghanistan more and more into the Soviet orbit.

India, faced with a choice of either slowing down her already inadequate rate of economic development or turning to totalitarian Russia for assistance to redress the balance with her adversary, will see her own security steadily diminishing for two reasons: first, because rapid economic growth is essential to her political stability; and second, because if India ultimately feels forced to accept arms from Moscow, Soviet influence in India will increase correspondingly, and India, too, will be drawn towards the Communist axis.

Pakistan, after an initial period of giddy pride in her new military strength vis-a-vis her two neighbors, must eventually see that the inexorable forces which have been set in motion leave her position on balance not more strong but less so. As a tense and antagonistic India by one means or another finds a means to redress the military balance, pressure from the south will increase, and as the likelihood of a politically viable, independent India, soundly based on an expanding economy, diminishes, the danger to Pakistan itself will grow correspondingly. This danger will be compounded if Soviet penetration of Afghanistan brings Moscow's power 300 miles south to Pakistan's northern border.

As I have pointed out: America's objectives in this area are best served by independent, cooperative, friendly nations, economic

growth leading to increasing political stability, and a developing will to defend the fruits of that growth from intrusion from any source. To argue that our present military assistance to Pakistan contributes to such objectives is to ignore the clear facts. To expand this military assistance under present conditions would be folly.

Indeed it may persuasively be argued that the U. S.-Pakistan arms agreement may not only turn Afghanistan irreparably towards Moscow and destroy all hope for a closer and cooperative relationship with India, but ultimately lead to bitter differences and misunderstandings with Pakistan itself.

In the eyes of the military leaders who sponsored it this agreement has one simple and, in itself, wholly desirable objective: to develop an effective military force that can oppose Soviet intrusion into South Asia and outflank any similar aggression into the Middle East. But there is no evidence that this concept of the new relationship is shared by Pakistan. Indeed Karachi's interpretation of the world conflict has been consistently closer to that of India, Burma and Indonesia than to that of the United States.

Pakistan was one of the first nations to recognize the Peking government. Madame Sun Yat Sen recently was received as a state guest in Karachi. On June 2nd the Pakistan Prime Minister, Foreign Minister, and various members of the Cabinet leave for an official visit to Communist China. Following the visit of Deputy Soviet Prime Minister Mikoyan a Russian trade mission is now negotiating in Pakistan.

The basic difference in objective between our government and that of Pakistan is frankly revealed in the following recent

quotation from the influential Pakistan newspaper, DAWN:

"The big powers cannot have it all their own way and expect the smaller powers to strengthen their hands against the enemies of the big powers while ignoring the dangers which threaten the smaller powers from other quarters. For instance, if there is any threat of physical aggression against Pakistan it does not come primarily from the Soviet Union but from India; and if Pakistan fails to secure specific reassurances of support and help from her allies then it would be a strange role that Pakistan will be expected to play."

In a sense Pakistan feels that a bargain has been struck. Because she has agreed to join a defense pact directed at our "enemy" Russia, she assumes that we must inevitably take her side against her "enemies" Afghanistan and India. In March we seemed to offer a measure of such support by appearing to back Pakistan on both the Pushtoonistan and Kashmir issues.

But Pakistan will almost certainly look on this reluctant pat of approval as no more than a down payment. If we refuse to provide Pakistan with more whole-hearted support in her conflict with her neighbors, she will feel let down and bitter. Yet if, to protect our investment in the military pact, we agree to such support, our relations, not only with Afghanistan but with India may fast become impossible. Our dilemma is compounded by the fact that India, with one sixth of the world's population, rich industrial resources, and great prestige throughout the uncommitted nations, is, in all probability, the key to a free Asia.

How This Drift Can Be Reversed And
An Increasing Measure of Stability Created

The security of each of these three nations depends in large degree upon the security and stability of its neighbors. The loss of Afghanistan's independence will immediately threaten Pakistan and eventually India, since it will bring the Soviet Union to the historic gateway to the subcontinent, the Kybher Pass. An unstable, insecure and impoverished Pakistan, in turn, is a direct threat to the stability and security of India. If India fails to maintain internal political stability, based on an expanding economy and a satisfied people, it is difficult to see how a free Pakistan can survive indefinitely.

A constructive American policy in this key area must be deeply rooted in an awareness of this profoundly important interrelationship. The following approach seems to me indicated:

Our first effort should be to create a new military balance between India, Pakistan and Afghanistan which will give all three nations a sense of security in their relationship one to the other. The situation has now advanced to such a point that this can be achieved only in stages and through the application of great tact and firmness.

The State Department and the Pentagon have made commitments to Pakistan which, however mistaken they may appear now, cannot be disregarded. Yet it can persuasively be argued that these commitments reflected a situation which has now been drastically modified by the new Soviet tactics, including the recent sharp cut in Soviet ground forces. In the interests of Pakistan's security and our own it would seem logical to re-examine the assumption on which our agreement was based in the light of the new circumstances.

A new intraregional military balance should take into account the legitimate security requirement not only of Pakistan but India and Afghanistan, and enable each of these three nations to focus its resources, with our help, on the central problem of internal economic development. If it would be helpful as a temporary expedient to make some modern equipment available to India on a long-term loan basis and without political strings in order to bring about a new balance, we should do so.

A study should also be undertaken of the economic and political practicability of opening up free port facilities for the Afghans on the Arabian Sea, either as part of the port of Karachi or a new port to be built on land leased by the Afghan government with the rights of rail travel from the port to Kabul guaranteed under bond.

The proposal of a free port on Pakistan soil opens up some formidable questions. It might, for instance, require a capital investment out of all proportion to the amount of traffic which would be accommodated at this stage. However, a realistic policy in this part of the world must take the not unreasonable security fears of the landlocked, suspicious, isolated Afghans into account. If the Kabul government cannot be convinced that its access to the outside world is assured under all conditions, it will be drawn inexorably by the pressures of geography, economics and politics into the Soviet orbit. This process is already well advanced.

Expanded economic assistance to India and Pakistan is also basic to a rational new approach. Both governments have created bold, capable, intelligently programmed Five Year Plans. The Indian Second Five Year Plan started April 1, 1956. The Pakistan First Five Year Plan is already underway for one year.

Neither of these plans can succeed under present circumstances without substantial outside help. The cost of underwriting the Pakistan Five Year Plan would be roughly \$125 million a year for the next four years. The cost of underwriting the Indian Five Year Plan would be roughly \$300 million for the next five years.

We have frequently wasted American dollars on economic assistance to countries which were not prepared to spend it intelligently, where the civil service was inadequate to the task, where there has been a lack of an economic base, and a stubborn unwillingness to institute the necessary political and economic forms. We have also been drawn into wasteful and ineffective spending policies on the assumption that economic aid would enable us to buy friends and allies and create reservoirs of gratitude.

Neither Pakistan or India can be placed in such categories. Each represents a key country which offers ideal opportunity for adequate aid given for the one practical, realistic objective on which economic assistance can ever be justified: to assure the growth of independent, viable nations able and willing to defend their own freedom. Each of these two nations has a powerful desire to remain independent, a highly competent British-trained civil service, and a determination to demonstrate that a vital, purposeful democracy can effectively raise living standards and promote individual opportunity in an underdeveloped country.

India's Second Five Year Plan calls for the expenditure by the government of \$9 billion in addition to the normal cost of government. It has been assumed that all but \$2.4 billion of this sum can be raised either through local taxation or by a continuing favorable balance of trade. By drawing down her sterling balances, aid from foreign sources other than the United States, and deficit financing it is hoped that this gap may be reduced to \$1.6 billion.

If this sum is not forthcoming from some source over the span of the next five years, India's progress will be slowed dangerously. Disillusionment with democratic methods will increase and China's case for a totalitarian dictatorship will become far more persuasive, not only in India but throughout Asia.

Even this picture will be described by many observers as too optimistic. The price level under pressure of deficit financing has already begun to rise sharply, present heavy tax rates cannot be raised further, our continuing military build up of Pakistan may lead to a far heavier defense burden than the Five Year Plan budget yet contemplates.

This foreshadows the likelihood of a crisis for which the Indian government, and even more ominous the Indian people themselves, may feel that/^{America}, because of our action in precipitating an intraregional arms race, carries a heavy responsibility. Faced with a choice between the collapse of its Five Year Program of economic growth on the one hand, and the risk of drastically stepping up its borrowings from the Soviet Union, on the other, the Indian government, would, I believe, be forced towards the latter course.

To assume that Russia will not grasp such an opportunity would be to add to our already long list, one more miscalculation of her capacity. Russia's gross national product is increasing at the rate of some \$10 billion annually. A small fraction of this increase applied to an economic aid program to India would fill the capital requirement gap, assure the success of the Indian Five Year Plan, and as an inevitable by-product, draw the Indians emotionally, economically and hence politically closer to the Soviet orbit.

The Indian government would, I am sure, view the implications of such a drift with grave forebodings. Yet, if it appears to be

their one alternative to failure, it may at some point feel forced to accept this association, hoping at the same time that somehow India may manage to maintain its independence of action.

One final word on the intraregional tensions which are at the heart of these difficulties: It is rarely possible for outside governments, however well intentioned, to find acceptable answers to the bitter problems which arise between individual nations all over the globe. We must learn to accept and live with our limited capacity to influence such situations. America at this stage, for instance, cannot contribute a solution to the Pushtoonistan problem. The Kashmir question is at least equally complicated and emotionally charged.

We might, I suppose, suggest privately that the legal status of Kashmir be referred to the World Court. If this proposal should by some chance be accepted by both parties some of the immediate tenseness could be removed from the present situation; indeed a decision by the court might prove to be the first step towards an equitable solution.

Unless the present tensions are eased in some way any peaceful solution to the internal differences which threaten the stability of this area will remain impossible. Our most immediate contribution should be to withdraw with the best possible grace from a policy that further inflames their relationships. If we can also contribute by our economic assistance and a tactful diplomacy to a more constructive atmosphere, then the indigenous forces of a goodwill which are many and strong may ultimately succeed in substituting cooperation for conflict.

Conclusion

Excellent groundwork for an enlightened approach to economic assistance has already been developed at the Center for International Studies at M.I.T. A memorandum describing what I believe to be the only rational basis for foreign aid and outlining the scope and direction of such a program has been prepared there entitled "Proposal for a New Foreign Economic Policy". It provides a practical approach to this complex and vitally important subject that deserves careful study.

It is clearly too late at this juncture to prepare a program for the coming fiscal year based on these concepts and specifically keyed to the new economic and political realities. But at least we can begin now to reverse our present drift in South Asia towards a crisis which may prove even more dangerous than that of the Middle East and to make a small start in the right direction:

To this end I suggest that:

(1) The Administration should be urged to initiate in the very near future high policy talks with both Pakistan and India along the military and economic outlined above as groundwork for Mr. Nehru's July visit.

(2) Out of cash in hand and from whatever Congress may at this late stage agree to make available, low interest, long term loans for economic assistance in the next fiscal year should be made to Pakistan and India as evidence of our intentions.

(3) Bilateral talks should be launched forthwith to determine in detail the extent of future capital loans that may be necessary to assure the success of the Pakistan and Indian Five Year Plans, and, if practical, for the Afghan port arrangements.

(4) As soon as possible talks should be begun designed to lay the foundation for the kind of general foreign assistance programs outlined in the M.I.T. report, so that legislation can be drawn up early in 1957 with maximum public support. Only through such a program supported by an astute and sensitive diplomacy can we recapture the economic and political initiative in Asia, Africa, and South America.

CB/fmo 5/29/56

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