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(see 13/3/80)

cc Econ Pol: Summits: Pt 3

March 17, 1980

PRIME MINISTER'S PERSONAL MESSAGE SERIAL No. T57/80

Dear Prime Minister:

I appreciate your thoughtful and informative letter of March 3 (+ 14/3/80) concerning the critical issues confronting both our countries. I am pleased to see that by and large we agree about what steps should be taken next. As you know, Helmut Schmidt and I discussed these same subjects at length during his visit here last week. In the hope that you will find them helpful, I want to share with you some further thoughts directly related to the situation in Southwest Asia.

On the question of aid to Pakistan, I fully agree with you on the importance of encouraging the Pakistanis to concentrate on the Soviet threat, and I am certain that your efforts to this end will effectively promote overall Western interests.

The Government of Pakistan appears to be engaged in making fundamental decisions about its external orientation in light of the new situation created by the Soviet invasion of Afghanistan and the return to power of Mrs. Gandhi. You have probably read the speech of General Zia's foreign affairs adviser who stated that my offers of support were insufficient in scale and duration and too restrictive in their conditions. Evidently General Zia has concluded that the disadvantages of a close security relationship with the United States outweigh the advantages of the aid that I was prepared to offer. This is probably not the final word on the matter of United States aid. Prime responsibility for financing military aid for Pakistan by other, primarily Moslem, nations is not an unsatisfactory prospect for us.

In his speech of March 5, Agha Shahi appeared to suggest an approach which would entail dropping any military assistance, which Pakistan would seek elsewhere, and emphasizing economic aid along with a Congressional reaffirmation of our 1959 bilateral agreement. We are currently exploring an approach along these lines with

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the Pakistan government. In that context, it continues to remain of utmost importance that the Western and Islamic nations strengthen their relations with Pakistan, particularly with regard to economic aid and provision of defense equipment.

On a matter of more direct interest to the alliance, Helmut Schmidt and his associates made a persuasive case during their visit here for accelerated and increased aid to Turkey. Demirel's economic reform program certainly deserves our admiration and support. I have agreed, therefore, to supplement our planned $200 million cash loan to Turkey with substantial aid in the form of export credits and food.

The Export-Import Bank also is expediting use of the credit line it extended to Turkey last year. I mention these details in the hope that you will find similar action to be feasible.

As to the question of high-technology transfers, I much appreciate your support for tightening COCOM rules on exports to the Soviet Union. A strong allied effort in this area will make it more difficult for the Soviets to acquire the technology and equipment they need to support their military establishment. I agree completely that the allies must act together for maximum impact. I recognize that some of our partners are reluctant to ban new official export credits or guarantees. From a strictly commercial point of view, this is understandable. Yet we must not lose sight of the overall objective of our economic sanctions: to force the Soviets to pay a concrete price for their aggression. The Soviets need export credits to purchase the western goods and technologies essential to their economic development. By borrowing abroad -- almost always on exceptionally favorable terms -- the Soviets have been able to modernize their industrial plant while still devoting enormous resources to the military sector. At the very least, we should strive to increase the USSR's cost by raising interest rates and shortening repayment terms. It is difficult to understand why Western governments should subsidize Soviet industry, especially under the present circumstances.

I look forward to discussing these and related issues with you in person when we meet later this year in Venice. In the meantime, of course, I continue to attach great importance to our personal correspondence; the breadth and candor of this exchange is very helpful to me.

Sincerely,

Jimmy Carter