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Authority MND 969030

By RS NARA Date 10-19-01



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TELEGRAM

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R 020946Z AUG 71
FM AMEMBASSY KABUL
TO SECSTATE WASHDC 5820

C O N F I D E N T I A L SECTION 1 OF 3 KABUL 4745

SUBJECT: AUDIENCE WITH KING ZAHIR

1. INTRO AND SUMMARY: I HAD 90- MINUTE MEETING ALONE WITH KING ZAHIR JULY 27. TIMING OF MEETING JUST AFTER INSTALLATION ZAHIR GOVERNMENT WAS HM'S CHOICE. SINCE MEETING WAS TETE-A-TETE AND HM OBVIOUSLY WORRIED ABOUT CRISIS IN ECONOMY ACCENTUATED BY RECENT POLITICAL STALEMATE, I DECIDED TO HIT HIM HARD RE LACK OF PROGRESS IN COUNTRY, PARTICULARLY DETERIORATING ECONOMIC CONDITIONS. HE APPEARED TO REACT FAVORABLY TO THIS MORE-FORCEFUL-THAN-USUAL APPROACH AND DESCRIBED ACTIONS BY HIS GOVERNMENT ALREADY UNDERWAY TO ALLEVIATE IMMEDIATE PROBLEMS.

BROUGHT ON BY DROUGHT. HE ALSO TOOK NOTES DURING MY PRESENTATION OF ECONOMIC REFORMS NEEDED FOR LONGER-TERM SOLUTIONS TO END COUNTRY'S MALAISE AND I HAVE HOPES MY MESSAGE WILL HAVE SOME IMPACT. END SUMMARY.

2. KING BEGAN CONVERSATION SAYING HE HAD CONSIDERABLE HOPES FOR NEW GOVERNMENT'S PROSPECTS, ESPECIALLY IN VIEW PM ZAHIR'S EXPERIENCE AS PARLIAMENTARIAN. HE SAID HE PUT GREAT STORE IN PM'S ABILITY TO ESTABLISH GOOD LEGISLATIVE-EXECUTIVE RELATIONSHIP, BECAUSE IN CONTRAST TO ETEMADI, ZAHIR HAS SERVED AS ELECTED LEGISLATOR. IN RESPONSE MY REQUEST FOR HIS ANALYSIS OF RECENT EVENTS, HE SAID ETEMADI GOVERNMENT HAD BECOME AWARE.

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OF DETERIORATING ECONOMIC SITUATION BUT BY THAT TIME ITS PARLIAMENTARY BATTLE WAS ALREADY LOST AND GOVERNMENT HAD RUN OUT OF STEAM. HE SAID GOVERNMENT COULD HAVE SURVIVED LOWER HOUSE ASSAULT BUT THE SURVIVAL WOULD NOT HAVE BEEN A HEALTHY ONE. ETEMADI ALSO BELIEVED THAT HE SHOULD DEPART AND THAT NEW GOVERNMENT WOULD HAVE BETTER CHANCE. THE CRISIS, HE ADDED, HAD CONSTITUTIONAL ASPECTS NOT RELATED TO GENERAL IN-COUNTRY SITUATION BUT THAT REAL PROBLEM HAD BEEN LACK OF DYNAMIC LEADERSHIP.

3. TURNING TO NEW GOVERNMENT, HM SAID THERE WERE GOOD PEOPLE IN CABINET WHO WERE DEVOTED, COMPETENT AND TOTALLY DEDICATED TO SAVING COUNTRY. NEW GOVERNMENT'S FOREIGN POLICY VIEWS WERE SIMILAR TO PREVIOUS ONE'S AND RGA, HE SAID, WOULD CONTINUE TO FOLLOW SAME GENERAL LINE IN EXTERNAL MATTERS. BUT AS FAR AS ECONOMIC PROBLEMS ARE CONCERNED, THIS GOVERNMENT DEFINITELY UNDERSTANDS THEM AND IN CONTRAST TO PREVIOUS ONE, HE IMPLIED, WOULD ACT TO SOLVE THEM.

4. I THANKED HIM FOR HIS VIEWS AND TOLD HIM I WELCOMED THIS OPPORTUNITY FOR TETE-A-TETE. I SAID I HOPED HE WOULD UNDERSTAND MY SPEAKING FRANKLY ABOUT MY GRAVE CONCERN ABOUT DETERIORATING POLITICAL/ECONOMIC CONDITIONS AND DECLINING MORALE OF THE COUNTRY. I SAID NO AMBASSADOR HAS RIGHT TO EXPRESS HIMSELF IN THIS WAY BUT TRUSTED HE UNDERSTOOD IT WAS MOTIVATED OUT OF MY DEEP AFFECTION FOR AFGHANISTAN. I REITERATED U.S. HAD NO DESIRE OTHER THAN SEEING STABILITY AND PROGRESS FOR COUNTRY BUT IN FACT BOTH WERE IN DANGER NOW. I SAID MONARCH OBVIOUSLY NEEDED STABILITY BUT IN MY FOUR AND ONE-HALF YEARS HERE I HAD NEVER HEARD SO MANY EXPRESSIONS AT ALL LEVELS OF SOCIETY ABOUT A FEELING OF HOPELESSNESS THAT NEW GOVERNMENT COULD ACCOMPLISH ANYTHING. I SAID WE WERE

ALSO AWARE OF SOME INSTANCES OF UNREST IN COUNTRY BUT FELT THEY WERE NOT YET SIGNIFICANT. I FELT OBLIGED TO POINT OUT POTENTIAL EFFECTS ON MONARCHY AND CITED RECENT HISTORY TO SUPPORT MY CONCERN.

5. HM THEN BEGAN TO TAKE NOTES AS I NOTED ECONOMIC CRISIS WAS DEEPENING WITH RISING CRITICISM AND AIR OF EXASPERATION ON PART ALMOST ALL DONOR COUNTRIES INCLUDING USSR. I SAID WE RECOGNIZED GREAT PROBLEMS FACING RGA, ESPECIALLY THOSE OF

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A RELATIVELY NEW DEMOCRATIC REGIME DEALING WITH A PARLIAMENT THAT DID NOT FULLY UNDERSTAND OVERALL PROBLEMS. NONETHELESS I SAID AS STUDENT OF COMPARATIVE GOVERNMENT I BLAMED FAILURE OF EXECUTIVE-LEGISLATIVE RELATIONS ON EXECUTIVE IN ALMOST EVERY INSTANCE AND THAT EXECUTIVE CANNOT ESCAPE RESPONSIBILITY FOR LACK OF LEADERSHIP. I ALSO MENTIONED INTER ALIA PROBLEM OF WIDESPREAD CORRUPTION. I SAID IN MY TIME HERE I HAD HEARD THREE CONFIDENCE DEBATES BUT NEVER UNTIL THIS ONE SO MUCH EMPHASISON THIS SUBJECT. I SAID IT IS PROBLEM IN EVERY SOCIETY BUT EMPHASIZED WEHN IT BECAME SERIOUS BARRIER TO PROGRESS IT WAS DECIDEDLY AGAINST SOCIETY'S INTERESTS.

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FM AMEMBASSY KABUL
TO SECSTATE WASHDC 5821

C O N F I D E N T I A L SECTION 2 O 3 KABUL 4745

6. I THEN OFFERED MY ANALYSIS OF ECONOMIC ILLS BESETTING NATION, EMPHASIZING I WAS CONCERNED WITH THE LONG AS WELL AS SHORT-TERM SITUATION. I POINTED OUT THAT SECOND YEAR OF DROUGHT HAS WORSENED SITUATION BY REDUCING AMOUNT OF FEED FOR ANIMALS THEREBY CAUSING EXTENSIVE REDUCTION IN FLOCKS WHICH WOULD RESULT IN SERIOUS LOSS FOREIGN EXCHANGE EARNINGS OVER NEXT FEW YEARS. I SAID WE BELIEVED KEY FACTOR IN CORRECTING SITUATION WAS GREATER USE CHEMICAL FERTILIZER, POINTING OUT THAT FOR EACH DOLLAR EXPENDED FOR FERTILIZER RETURN IN WHEAT PRODUCTION WAS FIVE TO SEVENFOLD, AND THEREFORE IT WAS POOR ECONOMICS TO IMPORT WHEAT RATHER THAN FERTILIZER. I OUTLINED FIASCO OF LAST MAY/JUNE RE USAID FERTILIZER LOAN WHEN WE THOUGHT WE HAD UNDERSTANDING WITH RGA THAT FERTILIZER DISTRIBUTION WOULD BE TURNED OVER TO PRIVATE SECTOR ONLY TO DISCOVER THAT THIS WAS APPARENTLY NOT OR NO LONGER GOVERNMENT'S POSITION. I ADDED THERE WAS NO POINT DEALING WITH MINISTRY OF AGRICULTURE AND IRRIGATION WHOSE ADMINISTRATION SEEMED AIMED AT HOLDING UP PROGRESS AND THAT ITS SYSTEM WAS CORRUPT. I NOTED PUBLICIZED CLAIM THAT MAI HAD DISTRIBUTED 24,000 TONS FERTILIZER LAST YEAR, BUT THAT I DOUBTED IT, ADDING THAT EVEN IF IT HAD DISTRIBUTED THIS TONNAGE IT WAS NOT ENOUGH WHEN COUNTRY SHOULD PROBABLY USE SOMETHING LIKE 300,000 MT. I SAID I WAS NOT PREACHING FREE ENTERPRISE AS KIND OF RELIGION BUT THAT PROFIT MOTIVE WOULD SEE TO IT THAT FERTILIZER WAS DISTRIBUTED TO THOS WHO NEEDED IT WHEN THEY

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NEEDED IT. I BRIEFLY OUTLINED MIXED DISTRIBUTION SYSTEM IN INDIA WHICH WORKED SUCCESSFULLY FOR THAT COUNTRY, DESPITE A BASIC SOCIALISTIC APPROACH TO ECONOMIC DEVELOPMENT. I SAID AFGHAN FARMERS WERE INTELLIGENT ENOUGH TO KNOW WHAT FERTILIZER COULD DO AS DEMONSTRATED BY THEIR WILLINGNESS TO BUY FERTILIZER ON BLACK MARKET DESPITE PRICES HIGHER THAN THOSE OF MAIN. THERE WAS NO NEED TO SUBSIDIZE FERTILIZER, I ADDED, GIVEN PROPER CREDIT FOR FARMERS WHO WOULD PAY THE PRICE NOW THAT THEY HAD SEEN HOW MUCH IT COULD BENEFIT THEIR CROPS. PARAPHRASING CLEMENCEAU, I COMMENTED THAT FERTILIZER IMPORT AND DISTRIBUTION WAS TOO IMPORTANT A MATTER TO BE LEFT TO THE MAI ALONE AND THAT IT SHOULD INVOLVE THE MINISTRIES OF FINANCE AND COMMERCE AS WELL. I ALSO NOTED NEED FOR EXPANDED AGRICULTURAL CREDIT AND SAID THAT THE AGRICULTURAL DEVELOPMENT BANK WAS DOING FAIRLY WELL BUT THAT ITS PROCEDURES WERE STILL CUMBERSOME AND GREATER SPEED WAS NEEDED IN PROVIDING CREDIT TO FARMERS WHEN THEY NEEDED IT.

7. TURNING TO WATER SHORTAGE, I EXPRESSED APPROVAL THAT JANGALAK FACTORIES WERE PRODUCING PUMPS ON KPV BASIS AND TAKING EXTRAORDINARY MEASURES TO OVERCOME PRODUCTION BOTTLENECKS, SUCH AS BRINGING BY AIR DIESEL ENGINES FROM GERMANY. ON OTHER HAND, I NOTED THAT SUFFICIENT WORK HAD NOT BEEN DONE ON APPEAL MADE TO EEC FOR EMERGENCY ASSISTANCE ON DROUGHT SITUATION. I URGED THAT EGA GO DIRECT TO EEC THROUGH ONE OF ITS AMBASSADORS, RATHER THAN DEPENDING ON FRIENDLY EEC MEMBER GOVERNMENTS TO PRESENT ITS CASE. IN ADDITION TO URGING SPEECH FROM THRONE (SEE BELOW), I SUGGESTED CALLING A CONFERENCE OF GOVERNORS TO STIMULATE ACTION, AND THAT ARMY BE CALLED UPON TO HELP IN DISTRIBUTION OF RELIEF SUPPLIES AND EQUIPMENT NEEDED TO OVERCOME DROUGHT. I AGAIN URGED ACTION IN AGRICULTURAL SECTOR WAS ESSENTIAL SINCE THIS WAS NUMBER ONE ACTIVITY OF NATION, INVOLVING MORE THAN 85 PERCENT OF THE POPULATION, AND STEPS NEEDED TO BE TAKEN TO PROVIDE FOOD, FERTILIZER, CREDIT, PUMPS.

8. ON OTHER ECONOMIC MATTERS, I URGED THAT COUNTRY GET GOING ON IMPLEMENTATION OF INDUSTRIAL DEVELOPMENT BANK BILL WHICH HE HAD WORKED SO HARD TO GET PARLIAMENTARY APPROVAL.

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AND TO GET IBRD AND CHASE MANHATTAN HERE TO WORK OUT DETAILS. I ADDED THAT THIS WAS AN ESSENTIAL STEP IN REFORMING AND MODERNIZING BANKING SYSTEM, WHICH WAS KEY TO CREDIT SYSTEM AND ESSENTIAL FACET FOR DEVELOPMENT. I URGED IMPROVEMENT IN TAX ENFORCEMENT AND CUSTOMS COLLECTION. I NOTED THAT MANY IN AMERICAN MISSION WHO TRAVELLED IN RURAL AREAS REPORTED RURAL DEVELOPMENT EXPENDITURES WOULD SHOW PARLIAMENTARIANS THAT GOVERNMENT RESOURCES BEING USED TO ASSIST IN DEVELOPMENT OF THEIR CONSTITUENCIES AND PROVIDE BASIS FOR SUPPORT OF INCREASED TAXATION.

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RSR-01 EUR-20 AGR-20 OPIC-12 CEA-02 TRSE-00 TRSY-11
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9. I EMPHASIZED NEED TO EXPAND WORLD BANK'S ROLE IN AFGHANISTAN AND NOTED IT APPEARED READY AND WILLING TO HELP IF THERE WAS EVIDENCE THAT RGA WAS SERIOUS ABOUT DEVELOPMENT. I URGED THAT IBRD BECOME INVOLVED IN THE PLANNING PROCESS AND THAT THE RGA PRESENT TO IBRD SERIOUS PROJECTS FOR DEVELOPMENT WHICH THE WORLD BANK COULD FOLLOW UP. THIS I SAID WAS A PROBLEM OF PERSISTENCY AND CONTINUITY AND NOT A ONE-TIME THING. I NOTED SUCH ACTIONS WOULD CONVINCE OTHER DONORS OF RGA'S SERIOUSNESS AND COULD RESULT IN INCREASED FLOWS OF ASSISTANCE.

10. IN CONCLUSION, I EMPHASIZED NEED FOR NEW GOVERNMENT TO TAKE SOME PSYCHOLOGICAL ACTIONS, SUCH AS A SPEECH FROM THE THRONE, DESIGNED TO "JOLT" THE PEOPLE AND MAKE THEM AWARE THAT THIS GOVERNMENT INTENDED TO DO SOMETHING. I CITED FDR'S FIRST FEW MONTHS IN OFFICE AS CRUCIAL TO HIS PROGRAM IN WHICH HE GAVE PEOPLE SENSE OF HOPE AND THUS BROUGHT ABOUT TURNING POINT IN RECOVERY PROCESS EVEN BEFORE HIS PROGRAMS BEGAN TO TAKE EFFECT.

11. HM FIRST RESPONDED BY SAYING I HAD NO NEED FOR CONCERN ON BEING FRANK. HE SAID HE VALUED MY ANALYSIS AND TRUSTED MY MOTIVES AND MY COUNTRY'S. HE SAID HE KNEW MY CONCERN WAS MOTIVATED BY FRIENDSHIP AND ACCEPTED THAT U.S. INTERESTS IN AFGHANISTAN ARE UNSELFISH. HE ACKNOWLEDGED SERIOUSNESS OF CURRENT CRISIS AND DANGER TO STABILITY OF COUNTRY AND MONARCHY.

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HE REPEATED HIS FEELING THAT THIS GOVERNMENT HAD BETTER CHANCE THAN ANY BEFORE TO DEAL WITH THE CRISIS AND THOUGH IT MAY NOT HAVE BEEN THE BEST TIME TO CHANGE GOVERNMENTS, THE PROBLEMS MUST BE SOLVED. HE SAID GOVERNMENT'S NEWNESS IS AN ADVANTAGE AND THAT PM PLANNED SPEECH TO PARLIAMENT IN WHICH HE WOULD DECLARE SOMETHING OF AN EMERGENCY STATE OF THE NATION, THOUGH HE DID NOT USE THE WORD "EMERGENCY." HE SAID HE HIMSELF WOULD FOLLOW WITH AN EQUALLY DRAMATIC JESHYN SPEECH AUGUST 23.

12. I ASKED WITH WHOM IT WOULD BE MOST USEFUL TO DEAL IN NEW CABINET ON ECONOMIC MATTERS. HE SAID SAMEDI HAMED, DEPUTY PRIME MINISTER, WAS THE KEY MAN. HE ALSO NOTED THAT WITH REGARD TO FERTILIZER AND GENERAL AGRICULTURAL PRODUCTIVITY PROBLEMS THAT SENATOR WAKIL WOULD BE IN CHARGE AND HE AGREED FERTILIZER WAS NOT A PROBLEM SOLELY FOR MINISTRY OF AGRICULTURE AND IRRIGATION.

13. I ALSO TOOK OPPORTUNITY TO INFORM HM OF IMPENDING VISIT BY AMBASSADOR POPPER, REMINDING HM OF PRESIDENT NIXON'S GRAVE CONCERN OVER INTERNATIONAL NARCOTICS TRAFFIC AND EFFECT ON YOUTH IN ALL COUNTRIES. I SOLICITED RGA'S COOPERATION WITH POPPER MISSION. HE ASSURED ME POPPER WOULD BE WELCOME.

14. KING CONCLUDED OUR MEETING WITH REPEATED THANKS FOR MY VIEWS AND SAID HE HOPED WE COULD CONTINUE OUR DIALOGUE, PARTICULARLY IN THE AREA OF FOREIGN POLICY WHICH WE BARELY TOUCHED UPON. HE SAID HE HOPED WE COULD GET TOGETHER WITHIN THE NEXT TEN DAYS AS HE ESPECIALLY WISHED TO HAVE MY VIEWS ON THE INDIA-PAKISTAN SITUATION.

15. COMMENT: I FEEL MEETING WENT EXTREMELY WELL. CONVERSATION WAS CONDUCTED IN FRENCH AND SOME OF MY STRONGER WORDS, THUS WERE PERHAPS NOT AS BRUTAL AS THEY WOULD HAVE SOUNDED IN ENGLISH. SINCE OUR MEETING WE HAVE LEARNED OF PLANNED RGA PUBLICITY CAMPAIGN TO DRAMATIZE DROUGHT WHICH I TAKE AS HOPEFUL SIGN THAT MESSAGE CONVEYED HAS ALREADY HAD SOME IMPACT. MY DECISION TO MAKE NO-HOLDS-BARRED PITCH TOOK INTO ACCOUNT POSSIBLE ADVERSE REPERCUSSIONS IN SO DEALING WITH A PROUD MONARCH BUT I BELIEVE THAT IT WAS WORTH THE RISK. WE SHALL SEE!

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