

March 23, 1979

**Cabinet Ministerial Group on Nuclear
Non-Proliferation, 'Pakistan's Nuclear Programme:
Pressures and Inducements'**

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Summary:

This report, created in March 1979 by the Ministerial Group on Nuclear Non-Proliferation, explores the state of Pakistan's nuclear program. The document also explores topics like Pakistan's political status among its neighbors in the Arab world, as well as possible ways Pakistan could be induced to terminate its nuclear activities.

In the face of alarmists such as Arthur Hummel in the US and Anthony Parsons in the UK, the influential British analysts on the Ministerial Group on Nuclear Non-proliferation thought it unlikely that Arab countries would knowingly fund Pakistan's nuclear programme, even though it was suggested many Muslim states might welcome a co-religionist achieving the 'ultimate technological feat'. For nations such as Saudi Arabia, relations with the West were situated as far more significant than connections with Islamabad, despite Pakistan's position as a bulwark between the Muslim world and the USSR. The group suggested enlisting Arab governments in order to put pan-Islamic pressure on Pakistan, arguing that security concerns related to India – and not a desire to equip the Muslim world with a 'nuclear sword' – were the nuclear programme's main drivers. Addressing Islamabad's security issues – a constant in British and American discussions about Pakistan – represented the surest way of achieving positive results. Where the pan-Islamic issue might come into play – analysts suggested – was after any Pakistani nuclear test, where Islamabad might enlist Muslim countries to help resist Western pressure to give up 'the first nuclear weapon to be developed in a Moslem country.'

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CABINET
MINISTERIAL GROUP ON NUCLEAR NON-PROLIFERATION

PAKISTAN'S MILITARY NUCLEAR PROGRAMME:
PRESSURES AND INDUCEMENTS

Note by the Secretaries

At its meeting on 9 February (GEN 17(79) 2nd Meeting) the Ministerial Group (GEN 74) instructed the Secretaries to arrange for a study of pressures and inducements which might be applied to Pakistan to persuade her to terminate her nuclear weapons programme. The attached note has been prepared by the Official Group on Nuclear Non-proliferation (GEN 167) under the Chairmanship of Sir Clive Rose.

Signed CLIVE ROSE
N B W THOMPSON
C V BALMER

Cabinet Office

23 March 1979

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PAKISTAN'S MILITARY NUCLEAR PROGRAMME:
PRESSURES AND INDUCEMENTS

Note by Officials

INTRODUCTION

1. At their meeting on 9 February 1979, the Ministerial Group on Nuclear Non-proliferation (GEN 74) instructed officials to make an urgent study of the pressures and inducements which might be applied to Pakistan to persuade her to terminate her nuclear weapons programme. This note has been prepared by the Official Group on Nuclear Non-proliferation (GEN 167).

PAKISTAN'S OBJECTIVES

2. The major consideration in Pakistan's defence and foreign policy is fear of a perceived threat from India. At present the Pakistanis are pursuing the development of a nuclear explosive capability. Sufficient fissile material for a first explosion could be available by about 1982 but might be delayed until some years later, especially if our attempts and those of our partners to deny them essential equipment and expertise were successful. An assessment of the date of a Pakistani nuclear explosion has been circulated separately (GEN 74(79) 6).

3. It would be some years after the first explosion before the Pakistanis could develop a deliverable nuclear weapon. With such a weapon they would hope to redress the military imbalance, now massively in India's favour, and at the same time have the option of being able to respond in kind to what they see as a real nuclear threat from India. Other objectives include the esteem which Pakistan would expect to reap among some third world countries for joining the exclusive nuclear weapon club in defiance of the wishes of its members. The Pakistanis might also hope to get support from some Arab countries by appealing for solidarity against pressures to make them give up the first nuclear weapon to be developed in a Moslem country.

NON-PROLIFERATION: INDIA, CHINA AND PAKISTAN

4. The issue of non-proliferation in the sub-continent must be seen in the context of the relationship between these three countries. Parallel action by all three Governments may prove to be the only way of avoiding a nuclear

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weapons race. The Indians have a central position, having taken the step in 1974 of exploding a nuclear device and thus having created the threat against which the Pakistanis have reacted. The Indians have so far adamantly refused to allow IAEA safeguards to be applied to all their nuclear facilities. The Indian Prime Minister has denied that India has a military nuclear programme but has insisted on the right to keep India's option open. We have no evidence, either way, about activities by India in this field after 1974. But so long as India fears China and Pakistan fears India, the problem of getting either India or Pakistan to renounce nuclear weapons will be formidable. Moreover, if the Pakistanis pursue their clandestine weapons programme this can hardly fail to result in India exercising the nuclear weapons option, which she is technically poised to do. In dealing with this triangular situation a major difficulty is that all three countries concerned are at different stages of nuclear development. There can be no question of getting China to give up her nuclear weapons, but there seems little prospect of persuading India to abandon her option or Pakistan to give up her programme unless the threats which these two countries perceive to their security are removed or at least reduced to an acceptable level of risk. This might perhaps be achieved by some form of security arrangement comprising assurances in which all three countries would be involved and with which the other nuclear weapon states, including the Soviet Union, would be associated. This is being considered separately.

DIPLOMATIC ACTION

5. So far there has been little publicity for Pakistan's intentions. So long as this continues, it will be possible to take diplomatic action on a confidential basis. The United States have already made representations (see paragraph 6). There is a strong case for our taking similar action in order to reinforce the American warning. Any such action would be more likely to be effective if it were taken in concert with other leading Western suppliers (and aid donors), namely France, the Federal Republic, Canada and Japan. The proposed demarches should, ideally, take the form of a warning of possible pressures coupled with an offer to discuss security assurances and to provide certain inducements in return for Pakistan's abandonment of her programme. We should also consider

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including the Soviet Union and possibly China, who would in any case need to be involved in any scheme for all nuclear weapons states to give security assurances (see paragraph 4 above). Depending on the reaction to these demarches, we should probably wish to involve our other NATO and EEC partners and possibly other members of the Nuclear Suppliers Group at a subsequent stage.

6. The Americans challenged General Zia with their knowledge of the Pakistani enrichment programme in January. General Zia denied the charges and appeared willing to permit an American inspection team to visit Pakistan but, after advice from his officials, withdrew this offer. The Americans have subsequently warned that they may have to implement the Symington amendment within a matter of weeks. This will involve the cut-off of specified categories of development assistance. The Americans have also warned the Pakistanis that this would inevitably become known to Congress and that they would be under very strong pressure also to terminate military sales and PL480 aid (which is of greater importance to the Pakistanis than United States development aid). The demarches proposed in the preceding paragraph should if possible take place before this happens. Should the Pakistanis prove unresponsive, we should need to consider mobilising world opinion more widely in the United Nations. Press reports of a clandestine Pakistani nuclear weapons programme are already beginning to appear, largely based on expressions of Indian concern.

PRESSURES AND INDUCEMENTS

7. Against the background of possible security and diplomatic action discussed in the preceding paragraph, the remainder of this note examines various forms of pressure and inducement which might be applied to Pakistan. It must be assumed that, if we and other like-minded countries were to take action in any of the fields considered to try to dissuade Pakistan from her plans to develop a nuclear weapons capability, we would be ready to take similar action against any other non-nuclear weapons state which attempted to develop such a capability. India might well be the next state to do this, irrespective of the success of our efforts to dissuade Pakistan. Moreover, if we invoke the

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support of the Soviet Union with regard to Pakistan, we may be faced with Soviet pressure to take similar action in respect of, eg South Africa. There is, further, a risk that concerted pressure by Western industrialised nations against Pakistan could be regarded as bullying by less developed countries, with possible implications for the North/South Dialogue. This is not to suggest inaction, but rather to indicate the need for caution both in the selection of measures and in approaching other countries for support.

AID

Aid as a Pressure

8. Pakistan's investment programmes are significantly dependent on foreign financial assistance. In recent years development aid has financed 50 per cent or more of public capital formation and one-third of total capital formation. About 75 per cent of the total aid, which is running at between \$800-1,000 million per annum, comes from Western (OECD) countries. The United Kingdom's share of the total is about 5 per cent and about £20 million will be made available in 1978/79. A detailed breakdown of aid disbursements is at Annex A.
9. Termination of aid by Britain acting alone would have little impact on the Pakistan economy, though, if aid were stopped to projects already being assisted, these would face financial difficulties and delays. Refusal to sign the agreement covering retrospective terms adjustment, which we have announced will cover Pakistan, and which is worth about £4 million per annum to Pakistan, would have very limited effect. It would also probably lead to Pakistan declining to service the debt in any event and might lead them to refuse to service commercial debt to the United Kingdom (about £1.2 million next year). A note on United Kingdom aid to Pakistan is at Annex B.
10. Nearly 40 per cent of Pakistan's aid is provided bilaterally by the United States, United Kingdom, Canada, France, West Germany and Japan. Acting together to terminate bilateral aid, these countries could have a substantial impact on Pakistan's investment programme. The Soviet Union and Saudi Arabia (providing about 8 per cent each, though other Saudi and OPEC flows may not be recorded) are the other biggest bilateral donors.

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11. The international aid agencies, principally the World Bank (IDA and IBRD), the Asian Development Bank and the UNDP, provide about 25 per cent of Pakistan's aid. If the major Western countries (ie United States, United Kingdom, West Germany, France, Japan and Canada) plus a few smaller ones were to combine, they would command enough votes to prevent aid for new projects and even spending on existing projects from the World Bank (and the ADB). However, the charters of these institutions preclude such action on other than economic grounds. To introduce other factors would be contrary to the letter and spirit of the institutions. An attempt to force this through by majority vote would create an unfortunate precedent which could cause serious damage to the future of these institutions.

12. Termination of all Western aid, certainly if multilateral flows were included, plus possibly aid from the Soviet Union, would severely damage Pakistan's investment programme. However, if sacrifice of future growth prospects were acceptable, Pakistan's economy could probably sustain the imports required to keep operating at current levels if certain conditions were met. These are reasonable harvest; no interruption of the flow of remittances coming mainly from the Gulf States and currently running at \$1.3 billion per year. More aid from OPEC sources might further ease the position. So in theory would a refusal to service about \$200 million worth of commercial debt, although in practice this would result in a cessation of further lending from commercial sources.

13. While the United Kingdom aid earmarked for Pakistan, which is almost entirely tied to United Kingdom goods and services, would be switched to other beneficiaries and may again be tied to United Kingdom procurement firms losing orders in Pakistan may not gain orders elsewhere. Firms in other donor countries may be in similar situations and this may constrain any wish by those countries to terminate aid.

Aid as an Inducement

14. To be attractive, additional aid would need to be substantial, cover a number of years and be without significant conditions (other than abandonment of the nuclear weapons programme). It is not possible to be precise. An

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amount of the order of \$500-\$1,000 million a year from all sources over 5-10 years over and above existing planned disbursements might need to be considered. We understand the United States is considering making available about \$200 million a year for 2 years. But any aid inducement would have to be handled carefully if we were to avoid being faced with demands for similar treatment from other near nuclear states. If the United Kingdom were required to contribute to such additional aid, this would involve either making some difficult choices as between alternative uses under the present planned total aid programme or the provision of additional aid funds.

Aid from Arab Countries

15. Pakistan relies heavily on financial support from Arab countries (see Annex A) and her relations with them are close. It is unlikely that these countries would knowingly fund Pakistan's nuclear weapons programme.

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16. Were Pakistan to explode a nuclear device without warning, it is unlikely that her Arab friends would join in subsequent sanctions against her. Many in the Arab world would be glad that a fellow Moslem country had demonstrated her ability to achieve what is still widely regarded as the ultimate technological feat. It is possible however that the more responsible Arab Governments might be responsive to an approach in confidence by the United Kingdom and other Western states, if made fairly soon with a view to discouraging Pakistan from going ahead with the development of a weapon. We could leave aside the question of whether or not the states in question already knew of Pakistan's plans, and simply take the line that their aid was being used, if only indirectly, to finance a nuclear programme, which must very greatly increase the chances of nuclear weapons being used in the sub-continent. We could ask them whether they wanted to bear this heavy responsibility, and invite them to join in a warning to Pakistan that aid would be cut off if Pakistan did not undertake to stop her military nuclear programme and agree to safeguards at her nuclear establishments.

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DISCRIMINATORY EXPORT CONTROLS

17. British exports to Pakistan including those financed from our aid programme, have averaged £110 million per year over the past 3 years. These were goods of high added value relating to sensitive industrial sectors of the economy, and their loss could threaten up to 8,000 United Kingdom jobs. The United Kingdom is the largest foreign investor in Pakistan with assets worth £60 million, while Pakistan has virtually no assets in Britain.
18. A trade embargo against Pakistan by the United Kingdom alone, without Community authorisation, would be illegal in Community law. Such action by the Community as a whole, with or without the co-operation of other GATT signatories, would be contrary to the GATT unless based on a Security Council resolution enforcing a trade boycott. In UNCTAD the Group of 77 have united in opposition to "coercive" economic measures by developed countries.
19. If United Kingdom Ministers decided for wider reasons to impose a trade embargo against Pakistan, unilateral action would be ineffective as a deterrent. Although the United Kingdom takes about 9 per cent of Pakistan's exports, it could be expected that Pakistan would achieve some success in market diversification and be prepared to bear the dislocation to her industries. British exports would be replaced by supplies from competitors and British investments would be at risk. Within the United Kingdom the precedent would have been set for pressure for similar action against other countries.
20. United Kingdom action in concert with other major suppliers would pose a greater threat to Pakistan's economic stability, but it should be noted that the only trade (as opposed to arms) embargo in which the United Kingdom has participated in recent years was against Rhodesia, which survives 15 years after its imposition. Although the embargo on Rhodesia has full United Nations backing and authority, this has still not prevented essential imports reaching Rhodesia, chiefly through South Africa, and often with the connivance of countries committed to enforcing sanctions. Because United Kingdom observance of sanctions has been strict, this has resulted in some of our principal competitors replacing us in the Rhodesian market.

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21. There must be a strong possibility that any co-ordinated action against Pakistan would be resisted by Moslem countries friendly to her, particularly the Gulf States who have special relations with Pakistan and see her as a bulwark between themselves and the Soviet Union. Moreover, in addition to their aid and trade commitments, a number of Arab states have equity investments in Pakistan's petro-chemical and fertilizer industries which would be at risk. On the South Africa-Rhodesia pattern therefore they could be expected to divert essential supplies to Pakistan. Even with the full co-operation of Pakistan's main source of manufactured imports (the United States, United Kingdom, Japan, West Germany, Hong Kong, China, Italy, France and the Netherlands) there would be abundant scope for sales to Pakistan, direct through third countries, by other countries searching for new markets, eg Brazil and South Korea.

PAKISTAN'S NUCLEAR POWER PROGRAMME

22. A substantial increase is indicated in Pakistan's long term demand for generating capacity which it is unlikely could be met from available and future indigenous energy resources. Pakistan's sole existing power reactor is a 125mw Canadian CANDU, the operation of which has recently been severely curtailed owing to difficulties in obtaining parts, heavy water and fuel. She may now, however, be close to producing the latter; there is also some indication she will shortly commence construction of her own heavy water plant. Ambitious plans for a nuclear power programme involving the construction of 24 plants over the next two decades were announced by the Pakistan Government in 1976. But the Pakistan 5 year plan for 1978-83 makes provision for only one new reactor (Pakistan may wish to purchase a French pressurised water reactor (PWR) of 600 mw).

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Withdrawal of Co-operation

23. One way of demonstrating our opposition to a country pursuing the covert weapons programme would be (publicly) to terminate co-operation in the civil nuclear field. In the case of the United Kingdom the policy could be

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administered in large measure by refusing to grant licences for any item on the atomic energy list (as well as certain other controlled items). But in the case of Pakistan it is a lever of limited application in the hands of the United Kingdom alone for there is no official co-operation between us at present in the civil nuclear field, and commercial trade in controlled atomic items is negligible. To make an impact the withdrawal of co-operation would need to involve the majority of the Nuclear Suppliers Group members. Some of our Nuclear Suppliers Group partners might be hesitant to act for commercial reasons or for fear that this might be a precedent for similar action against South Africa or other countries later on. The major commercial suppliers of foreign equipment for Pakistan's programme are France and Germany. In the short term, at least the denial of foreign supplies by the leading manufacturing nations would continue to impede the operation of the Pakistani's existing nuclear power reactor and would substantially delay the completion of the Chasma reprocessing plant should the Pakistanis try to do this for themselves, and other nuclear fuel facilities they might seek to construct.

Possible Assistance

24. An offer to assist Pakistan with the development of a long-term safeguarded civil nuclear programme would not, in our judgement, of itself persuade her to abandon her covert military nuclear programme, but it could have some influence as part of a wider package of inducements. The offer could include an option for Pakistan to purchase nuclear items in the United Kingdom and elsewhere; and technical assistance and training, which would be relatively inexpensive (up to perhaps £0.5 million). If this course were to be pursued it would also be worth investigating whether in addition Saudi Arabian finance might be available in conjunction with Western technology.

CONVENTIONAL ARMS SUPPLIES

25. China is Pakistan's main supplier. Britain's arms sales to Pakistan are not significant. The prospects for effective action to apply pressure, either by ourselves or in concert with others, are limited and it would be difficult to secure Chinese participation in a demarche.

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26. On the other hand, if the necessary finance were available, for instance from the Saudis, the offer of a wide ranging package to re-equip the Pakistan armed forces could be a significant inducement. In particular, the French would probably be ready to supply the Mirage aircraft. The Pakistanis are keen to have this aircraft, especially as the Americans are unwilling to make the A7 available and there is no United Kingdom aircraft which is likely to meet their requirements.

CONTROL OF REMITTANCES

27. There are powers under the Exchange Control Act, 1947, which would enable all payments between the United Kingdom and Pakistan to be suspended. This would affect trade, investment and remittances from the Pakistani community in this country. It is impossible to quantify how effective such measures would be, but it is clear that there are possible routes for evasion of exchange control measures of this sort, and so it seems likely that this action would fall some way short of total effectiveness. There is a recent precedent - Rhodesia - for this kind of use of these powers. The general argument against using them in this way is that it would endanger the effectiveness of the exchange control machinery, by using it for purposes other than the protection of the balance of payments. Further, if we used the Exchange Control Act to bring political pressure on one country, we might find it difficult to resist demands that we should do so against others; and the cumulative effect of such action could be highly damaging to our interests. Moreover, use of these powers to block remittances from this country to Pakistan would cause considerable hardship to individual dependents of Pakistanis living in the United Kingdom without cumulatively having a significant impact on the Pakistan economy as a whole. The effects of such a measure within Pakistan would need to be weighed against the likely reaction of the Pakistani community in this country.

28. Before further consideration was given to this measure, it would be desirable to give careful thought to domestic political implications in the United Kingdom. In the Rhodesian case these powers were used against a background of specific Parliamentary approval for sanctions, and of general international action taken through the United Nations.

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POSSIBLE AREAS FOR PAKISTANI RETALIATION

29. Pakistan might try to persuade some Arab oil producing countries to impede oil supplies to Britain and other countries associated with us in any action against Pakistan. With the possible exception of Libya we do not consider that they would agree. The relations of countries such as Saudi Arabia and the Gulf States with the United States and other countries of the West are in general more important to them than their relations with Pakistan.

30. Likely Pakistan retaliation includes the sequestration of British and other Western assets and ceasing to service interest on commercial debt. The United Kingdom is by far the largest foreign investor in Pakistan, major areas of activity being automobile and tractor manufacture, chemicals and pharmaceuticals. Total book value of United Kingdom investments is £60 million. Appropriation of some or all of these by the Pakistan Government or restrictions on the remittance of profits, in retaliation for action by Her Majesty's Government, could lead to claims for compensation from the United Kingdom firms affected. (Pakistan investment in the United Kingdom is negligible.)

CONCLUSIONS

31. Our first conclusion is that the most important step we can take should be to mitigate the threat which Pakistan perceives to her security. Indeed, unless some way can be found of doing this, it must be doubtful whether any pressures or inducements will be sufficiently compelling or effective to dissuade the Pakistanis from pursuing their nuclear objectives. We should therefore pursue urgently the plans already under discussion for security assurances including Indian acceptance of arrangements on the lines of IAEA safeguards.

32. Our second conclusion is that Pakistan is unlikely to give up the nuclear option unless what she sees as the imbalance of conventional arms with India is reduced. We and other Western countries should be prepared to supply conventional arms to Pakistan on favourable terms, to the extent that this is possible without increasing instability in the Sub-Continent and provided she is prepared to halt her nuclear weapons programme.

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33. Thirdly, we should consider action in relation to Pakistan's civil nuclear programme. As a means of pressure, action by the United Kingdom alone would have limited effect and we should need to involve other members of the Nuclear Suppliers Group. As an inducement we might offer Pakistan co-operation with her civil programme provided she abandoned her military programme and accepted safeguards.

34. We should accept that the other pressures and inducements examined in this note could supplement but not replace the need for arrangements to meet Pakistan's security concerns. Some of the pressures, eg a trade embargo and suspension of aid, could have damaging effects on our own interests, especially if adopted unilaterally. Moreover, unless we are able to link them with an offer of genuine advantage to Pakistan in the security field, any threat of punitive action is likely to militate against the possibility of securing Pakistan's co-operation and alienate her from the West.

35. We should give the Americans full support in the action they have already taken and should ourselves make representations to the Pakistan Government for this purpose. But we also need to involve other countries in diplomatic and other moves to dissuade Pakistan -

- i. we should involve at least the French, Germans, Canadians and Japanese at an early stage in making diplomatic demarches in parallel with our own;
- ii. we should concert with our Community partners and other principal OECD countries before making any specific threats in the trade or aid fields;
- iii. we should discuss with the Americans the timing and substance of approaches to the Russians, Chinese and Indians;
- iv. we should seek the co-operation of the Nuclear Suppliers Group in denying Pakistan equipment and components needed for her military nuclear programme;
- v. at an appropriate stage we should inform our NATO allies about the proposed security arrangements;

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- vi. we should consider the possibility of enlisting responsible Arab Governments in putting pressure on Pakistan;
- vii. at a later stage we should consider enlisting the support of selected group 77 countries.

36. In all the above action we should act in close co-operation with the United States.

37. A very early decision is needed about United Kingdom aid. As indicated in Annex B we are holding back on implementing various aid commitments and proposals. So far it has been possible to do this without detriment to our bilateral relations. But this position is becoming untenable, and it is therefore necessary to decide whether we wish to make explicit unilateral use of aid as a means of pressure (and so inform the Pakistanis) or to carry on with our normal aid programme pending any future decision to suspend aid on a multilateral basis.

23 March 1979

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ANNEX A

PAKISTAN

DISBURSEMENTS OF EXTERNAL ASSISTANCE
1976-77 and 1977-78

(\$ million)

<u>Country/Agency</u>	<u>76-77 Actual Disbursements</u>	<u>77-78 Estimates Disbursements Value</u>	<u>% share 77-78</u>
<u>Western Countries</u>			
USA	189.8	111.6	
Canada	58.6	72.5	
Japan	39.3	57.4	
France	35.2	67.7	
UK	34.9	45.1	
Germany	32.4	39.6	
Others	37.5	68.3	
Sub Total	427.7	462.2	49.2
<u>Multilateral Agencies</u>			
World Bank	131.8	131.5	
Asian Development Bank	36.9	80.7	
Others	89.8	26.3	
Sub Total	258.5	238.5	25.4
<u>Communist Countries</u>			
USSR	32.4	75.6	
China	8.7	9.5	
Others	4.5	0.7	
Sub Total	45.6	85.8	9.1
<u>OPEC Countries</u>			
Iran	180.8	4.5	
Saudi Arabia	16.3	72.1	
Abu Dhabi	13.0	40.0	
Others	17.5	36.7	
Sub Total	227.6	153.3	16.3
<u>Grand Total</u>	959.4	939.8	100

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ANNEX B

Aid: Present United Kingdom Aid Commitments

1. In January 1978 Mr Callaghan told a press conference in Pakistan that we plan to increase our aid year by year to 1980-1981.
2. At the Aid Consortium meeting in June 1978, the United Kingdom delegation confirmed that £25 million was available for spending in 1978/79 and said that Her Majesty's Government was prepared to make £28 million available in 1979/80. The aid funds for this spending and some of the spending anticipated in later years will be drawn from past commitments formally signed by Her Majesty's Government and the Government of Pakistan. Of these commitments, £67 million was allocated to specific projects but undisbursed as of February 1979. A further £26 million of commitments are not yet allocated to specific projects and we are now holding back on new allocations. An agreement to provide £3 million credit for a Pakistan Government financial institution was also on the point of signature but has been held up.
3. Specific projects for which the use of aid funds has already been approved and of which the Pakistan Government are aware, include a £6 million survey ship (from British Shipbuilders/Brooke Marine), up to £11 million towards the supply of 3 SD16 ships (total cost £27 million, from British Shipbuilders/Austin and Pickersgill) and about £2.7 million for earthmoving equipment (from British Leyland/Aveling Barford).
4. Pakistan is included among the beneficiaries of retrospective terms adjustment announced in the House by Mrs Hart on 31 July 1978. This will cover £70 million due over the next 22 years. A formal agreement has not yet been signed by the two Governments and we are now holding back on this. The Pakistan Government are however aware that we were on the point of sending them a draft agreement and any significant delay will prompt awkward questions. Most other major donors have not yet taken or announced any action to relieve Pakistan's debt servicing difficulties.
5. We would normally expect to make further new commitments, to feed the aid pipeline, at the Aid Consortium meeting in June.

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