AFGHANISTAN

DISCUSSION WITH AFGHANISTAN CONCERNING AFGHAN REQUESTS FOR FINANCIAL ASSISTANCE AND PROVISION OF MILITARY EQUIPMENT; ELEVATION OF THE AMERICAN LEGATION IN AFGHANISTAN TO THE STATUS OF EMBASSY

890H.51/1-748

The Minister in Afghanistan (Palmer) to the Secretary of State

SECRET
No. 3

KABUL, January 7, 1948.

Subject: Afghanistan's Desire For A Loan

STR: I have the honor to report the history to date of conversations and correspondence with the Royal Afghan Government concerning a possible loan to Afghanistan.

The subject of a loan was first discussed with the Minister of National Economy in April of 1946.¹ (See Enclosure I.) The conversation at that time was very general and exploratory in nature.

As a follow-up to the conversation, the Afghan Government sent the Legation an Aide-Mémoire on July 16, 1946.² (See Enclosure II.) This gave a general outline of the Government's plans to develop the country if a loan should become available.

August 6, 1946, I sent His Excellency, the Minister of Foreign Affairs, a pamphlet published by the Export-Import Bank of Washington under date of September 11, 1945 as a "General Policy Statement", and copy of the Export-Import Bank's First Semi-annual Report to Congress for the period July–December 1945. Both the pamphlet and report were read and returned, but nothing further of a tangible nature was done until the summer of 1947, when a list of specific questions was compiled by this Legation and forwarded to the Ministry of National Economy to help the Afghan Government crystallize into definite terms its rather general planning. (See Enclosure III.)³

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¹ Memorandum of conversation dated April 25, 1946, not printed. The conversation was between the Director of National Economy and the Director General, Political Division, Ministry of Foreign Affairs of Afghanistan, and the American Minister and Secretary of Legation in Afghanistan. The subject of conversation was an Afghan request for a loan of $100,000,000 to finance a ten-year program of public works to raise the standard of living (890H.51/1-748).
² Aide-mémoire dated July 16, 1946, from the Afghan Ministry of Political Affairs, not printed.
³ Not printed.
The answers to these questions, received by the Legation in November 1947, showed that the Afghan Government had advanced considerably in its planning during the past year. The section dealing with the financing of the several projects and the repaying of the loan if granted was especially well presented. The questions also brought to light very detailed and concrete planning for improving of transportation, building dams and irrigation systems, developing a cement industry, and increasing the cotton textile industry. The answers to the questions also showed that little hard planning had been done on the subject of improving the agriculture of the country, although this must be an integral part of the dam construction and irrigation projects and was a major section in the general outline of improvement submitted to this Legation in the Afghan Government's *Aide-Mémoire* of July 16, 1946.

Two general conclusions are apparent from the Afghan Government's answers to the Legation's questionnaire. First, the Afghan Government has done some good, realistic planning which would indicate that it has a sound basis for requesting a loan and would be a good risk. Second, the Afghan Government has no one properly trained to present their request for a loan in a manner that will assure it of the best possible reception, nor has the Legation anyone prepared to give the Afghan Government proper professional advice. Accordingly, it is my opinion, and I have so advised the Afghan Government in informal talks, that the Afghan Government should obtain the professional services of some firm like the International Hudson Corporation of New York City. It is my opinion, after reading about the International Hudson Corporation and seeing the names of the men connected with it that such a firm would be in a position to recommend to the Afghan Government, or draft for the Afghan Government, the presentation of its case for a loan in a form that would have the best chance of being accepted by the Export-Import Bank, the World Bank or any private bank the Afghan Government might wish to approach. Also, such a firm as International Hudson Corporation would be in a position to send specialists to Afghanistan to help the Government on the spot if necessary. I would appreciate the Department's suggestion in this matter.

As the matter now stands, the Afghan Government is going ahead on its own in drawing up a request for a loan and is using their answers to the Legation's questionnaire as a basis for their presentation. I have assured the Afghan Government of all possible further assistance in this regard on the part of the Legation.

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4 Not identified in Department of State files.
In connection with this history of the Afghan Government’s desire for a loan see the enclosure with my despatch no. 356, dated November 5, 1947. It is apparent from this and from the Department’s talks with His Royal Highness Sardar Shah Mahmud Khan that the Afghan Government tends to think of the loan as of political as well as economic importance; possibly increasingly so in the light of manifestations of Soviet interest and offers to be of assistance to Afghanistan.

Respectfully yours,

ELY E. PALMER

5 Despatch and enclosure not printed.
6 The Prime Minister talked with President Truman and the Secretary of State on August 8, 1947 (telegram 166 from Kabul, August 9, 1947, 800H.002/8-947). Subsequently, he met with several other officers of the Department before his departure from Washington in late October.

124.90H/3-1548

Memorandum by the Secretary of State to President Truman

WASHINGTON, March 12, 1948.

Subject: Proposal to Raise the Status of the American Diplomatic Mission in Afghanistan from Legation to Embassy.

Our Minister at Kabul is of the opinion that the Afghan Government would welcome a change in the status of our mission from Legation to Embassy.

As a consequence of the participation of an American engineering firm and American technicians and teachers in the development of the country, the American community in Afghanistan is now larger than that of any other foreign state. A growing tendency on the part of Afghanistan to look to the United States for assistance in many fields is reflected by visits during the past year of two Prime Ministers and the Minister of Public Works, who have discussed Afghan problems with officials of this Government. As a member of the United Nations and an increasingly active participant in international conferences, Afghanistan, subject to the difficulties implicit in its contiguity to the Soviet Union, endeavors to align itself with the western democracies.

This Government has now exchanged ambassadors with practically all countries in the area from Iraq to Siam, and it is believed that our interests in Afghanistan warrant the extension of ambassadorial representation to that country on a reciprocal basis. A number of countries, including the Soviet Union, have embassies in Kabul, and France is currently considering making its Legation an Embassy.
It would be appreciated if you would advise me whether you agree in principle with the recommendation that this Government raise the status of its Legation in Afghanistan to that of Embassy.¹

G. C. MARSHALL

¹ Source text bears handwritten notation in the margin: “Approved, Harry S. Truman.” The United States mission at Kabul became an Embassy on June 5, 1948. The Afghan Legation at Washington was elevated to Embassy status on November 23. For the Department’s press release on this matter, issued on November 24, see Department of State Bulletin, December 12, 1948, p. 746.

S/00.20/11-1948

Memorandum of Conversation, by Mr. Richard S. Leach of the Division of South Asian Affairs

SECRET

[WASHINGTON,] November 19, 1948.

Participants: Afghan Representatives:
The Appointed Ambassador, H.R.H. Mohamed Naim Khan
H. E. Abdul Majid Khan, Minister of National Economy
Mr. Mohammed Chouaib, the Counselor
Mr. Abdul Hai Azziz Khan, the First Undersecretary of National Economy
SOA: Messers. Mathews ¹ and Leach

Pursuing a conversation today in Mr. Hare’s ² office, and after commenting on Afghanistan’s economic problems, the Afghan representatives reverted to the security position of the country, internally and externally.

H. E. Majid said Afghanistan had a small army, which had been able to control the internal situation up to the partition of India. Now the situation is altered. Formerly these forces could cope with internal difficulties on one front. Now Afghanistan might have to deal with difficulties single-handed and simultaneously in two or more areas. Afghanistan’s armaments lag far behind those of her neighbors, and supplies from India have not been forthcoming. During the past year they have been nil. In the South and East there are armed tribesmen who of necessity are accustomed to living by their guns. The economy of this area is backward, even by Afghan standards. As a rusty gun is dangerous to the owner and his neighbors a “rusty” economy is likewise full of peril. Afghanistan has no adequate defenses in the north.

¹ Elbert G. Mathews, Chief of the Division of South Asian Affairs, and Richard S. Leach.
² Raymond A. Hare, Deputy Director, Office of Near Eastern and African Affairs.
nor even proper local security forces. A small revolt in any part of
the country could be extremely dangerous to overall stability, because
this would necessitate troop withdrawals from other areas of potential
disorder.

Afghanistan urgently wants U.S. arms to maintain internal security
for the reasons set forth above. Secondly it wants U.S. arms in order
to make a positive contribution in the event there is war with the
Soviets. Properly armed, and convinced of U.S. backing, Afghanistan
could manage a delaying action in the passes of the Hindu Kush which
would be a contribution to the success of the armed forces of the West
and might enable them to utilize bases which Pakistan and India
might provide.

At this point the meeting adjourned with arrangements for further
talks left between the representatives of the Afghan mission and the
Afghanistan desk officer.

890H.00/12-848

Memorandum of Conversation, by Mr. Richard S. Leach of the
Division of South Asian Affairs

SECRET

[WASHINGTON,] December 8, 1948.

Participants: H. E. Abdul Majid Khan, Minister of National
Economy

Mr. Abdul Hai Aziz, First Undersecretary of National
Economy

Mr. Richard S. Leach—SOA

In an informal discussion of several hours duration, following a
State Department luncheon in honor of the newly accredited Ambassa-
dor of Afghanistan, the Minister of National Economy again expressed
the desire of his government for a definite statement of U.S. inten-
tions with regard to assistance to his country. He said Afghanistan
must know just where it stands, in the world-wide pattern, with re-
gard to U.S. assistance.

He reiterated the opinion that a U.S.-Afghan partnership, with
assurance that Afghanistan has our firm support, would be of value to
both countries. However, time is growing short, and Afghanistan must
have an answer soon. If the U.S. is eventually going to reach a negative
conclusion on assistance to Afghanistan, Afghanistan would like to
know this fact at the earliest possible moment. Although a negative
decision would have a very adverse effect upon national morale, the
Afghan Government would continue to look upon the United States
as its friend, while attempting to work out its own problems on a realistic basis.

Abdul Majid explained that in speaking of assistance he had in mind the following categories: (1) political, (2) economic, (3) cultural, educational and technical, and (4) military.

Passing over the economic, cultural, educational and technical aspects, H.E. turned to the subject of military assistance, emphasizing that Afghanistan was thinking in terms of equipment for internal security purposes only. For such purposes, no large amount of expensive equipment is required. Compared with assistance the US has extended on a world wide scale, Afghanistan’s requirements are microscopic.

Abdul Majid referred repeatedly to the “war”, indicating his belief that a war between the US and USSR is inevitable, and said that when war came Afghanistan would of course be overrun and occupied. But the Russians would be unable to pacify the country. Afghanistan could and would pursue guerrilla tactics for an indefinite period.

Abdul Majid said that the early supply of light military equipment for internal defense was closely related to the possibility for a long and determined resistance to some future aggressive action by the USSR.

In connection with military cooperation he indicated that a regional pact among Turkey, Iran, Afghanistan and Pakistan was a reasonable possibility. If US assistance were extended to include the countries in this arc, it would cost relatively little now to create a Muslim cordon which would be a considerable factor in any future struggle with Soviet Russia. A little later this might be very costly or impossible.

The Department’s representative said that our wish had been to cooperate with Afghanistan. No change in this attitude was foreseen. We hope to see Afghanistan preserve its independence and to make progress toward its goals of social and economic betterment. Within the limits of our facilities and responsibilities elsewhere it was reasonable to assume that our efforts would continue to be directed toward these objectives; that our cooperation was prompted not only by general considerations (such as a desire for the improvement of living conditions the world over) but also by the desire to encourage Afghanistan itself in its orientation toward the Western political philosophy.

Reference was made to some specific types of assistance now being rendered in cultural, educational and scientific matters, and the belief was expressed that this would be continued as possible if requested by Afghanistan. It is to be hoped that this program will eventually become an exchange.
With regard to financial assistance it was indicated that at present this matter awaits further action by the Afghans themselves. The Department had previously indicated that it would support a request by Afghanistan for reasonable Export-Import Bank credits in so far as these were in line with the policies of the Bank. Our position on this has not changed. Such does not however, necessarily carry assurance that an Afghan loan would be approved. Abdul Majid was encouraged to avail himself of help which officials of the Department offered in connection with any problems in this case.

With regard to U.S. cooperation in respect to Afghan internal security requirements, reference was made to the fact that the Department had already indicated that sympathetic consideration would be given to a specific request for military equipment, that we could not even consider whether we would recommend supplying such equipment to Afghanistan until definite information had been given concerning the details of its security program and the specifications of its requirements. Even if the supply of military equipment should be recommended this would have to be considered by the military authorities in relation to other areas and claimants, before final action could be taken on the request.

Mr. Majid stated that details of the arms request would be furnished to the Department quite soon.