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DEPARTMENT OF STATE

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HANDLING INDICATOR

TO : Department of State

RPT : Moscow Peshawar
London Dacca
Lahore
Murree

FROM : American Embassy, KARACHI

DATE: Sept. 26, 1962

SUBJECT: Pak-Soviet Trade Possibilities: Soviet Trade Representative Welcomes Ayub's Statement on European Common Market

REF :

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The Soviet Trade Representative in Karachi, Mr. G.A. Nikolaev, has publicly welcomed President Ayub's recent comments at the Commonwealth Conference that Pakistan may have to alter its pattern of trade in view of the probable effects of British membership in the European Common Market, should this come to pass.

During a question and answer period following a talk on "Trade Relations of the USSR with Asia, Africa and Latin America" at the Soviet Volks library on September 19, 1962, Nikolaev said that if the GOP were willing, the USSR could increase its trade with Pakistan by 10 to 15 times in 1963. The Trade Representative also declared that there was a good market in the USSR for Pakistan's jute, cotton, hides and skins, and even manufactured goods. The Soviet Union, he said, could supply Pakistan with almost all the goods it presently imports from the West. Nikolaev also repeatedly emphasized that ideological differences were no bar to trade with the USSR and cited the examples of India and the United Arab Republic.

Interestingly, a few days later (September 21), the Civil and Military Gazette of Lahore, in an exclusive story from its London correspondent, H.K. Burki, declared under a six column headline that "Russia Approaches Pakistan for Trade Talks". The story, citing no sources, said that the USSR had approached Pakistan to initiate negotiations for a comprehensive trade agreement which would "totally free" Pakistan from dependence on European and British markets. According to the story, the proposal, along

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Contents and Classification Approved by:

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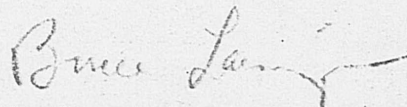
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with its economic and political ramifications, was "believed to be under consideration by the Pakistan Government". GOP Commerce Minister Wahiduzzaman in talking to reporters on September 22 declined to comment on the Civil and Military Gazette story, but said that discussions for increasing trade were in progress with the USSR as well as with other countries.

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Comment: As the Department is aware the theme of increased Pak-Soviet trade has long been espoused by Soviet representatives in Pakistan and has had its protagonists in the GOP. Trade Commissioner Nikolaev himself in 1960, upon presenting a gift of three tractors to Pakistan, called for increased trade relations (Embdes 622, Jan. 20, 1960). Mr. Z.A. Bhutto, who was GOP Commerce Minister in 1959, called for a change in Pakistan's traditional trade patterns by seeking new markets in Soviet bloc and other countries (Embdes 822, March 15, 1960). More recently, the President of Chamber of Commerce and Industry, Karachi, called for a rethinking of Pakistan's trade pattern and suggested that the Iron Curtain countries represented a whole new world of possible trade for Pakistan (Bi-weekly Eco Review No. 17). In the present context, the USSR is obviously exploiting these and other recent statements in order to generate ill feeling toward the ECM and to further its own propaganda and economic penetration efforts in Pakistan. The Ayub statement itself, of course, does contain the vague warning that ECM's restrictive policies may force Pakistan to seek other markets. The Civil and Military Gazette story, while not necessarily officially inspired, undoubtedly serves to make the President's meaning more precise. In this connection, MEA Director E.H. Enver, in a conversation with an Embassy officer on Sept. 25, said that while he could not confirm the validity of the Civil and Military Gazette story, ^{he} believed there was "something" in it since people in the business community in Pakistan were talking about such alternatives in view of the problem of Britain's proposed association with ECM.

For the Charge d'Affaires a.i.:



L. Bruce Laingen
First Secretary

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