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SUBJECT! AUDIENCE WITH KING ZAHIR

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 FORMUMIC 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

PROUGHT ON BY DROUGHT. HE ALSO TOOK NOTES DURING MY PRESENTA-TION 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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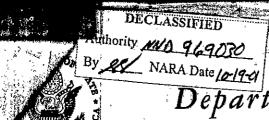
OF DETERIORATING ECONOMIC SITUATION BUT BY THAT
TIME ITS PARLIAMENTARY BATTLE WAS ALREADY LOST AND GOVERNMENT
HAD RUN OUT OF STEAM. HE SAID GOVERNMENT COULD HAVE BEEN A
LOWER HOUSE ASSAULT BUT THE SURVIVAL WOLD NOT HAVE BEEN A
HEALTHY ONE. ETEMADI ALSO BELIEVED THAT HE SHOULD DEPART
AND THAT NEW GOVERNMENT WOULD HAVE BETTER CHANCE. THE CRISIS.
HE ADDEDY HAD CONSTITUTIONAL ASPECTS NOT RELATED TO GENERAL
IN-COUNTRY SITUATION BUT THAT REALITROBLEM 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 UNDER-STAND MY SPEAKING FRANKLY ABOUT MY GRAVE CONCERN ABOUT STERIORATING 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 DESTRE 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 ALMOSTALL DONOR COUNTRIES INCLUDING USSR. I SAID! WE RECORDIZED 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 FAILURED 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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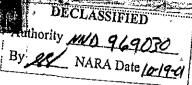
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6. I THEN OFFERED MY ANALYSIS OF ECONOMIC ILLE: BESETTING: : ... NATION. EMPHASIZING I WAS CONCERNED WITH THEILONG ASEWELLIASE SHORT TERM SITUATION. I POINTED OUT THAT SECOND YEAR OF DROUGHT HAS WORSENED SITUATION BY REDUCING AMOUNT OF FEED FOR ANIMALS THEREBY CAUSING EXTENSIVE REDUCTION IN FLOCKS WHICH WOULD RESULT IN SERIOUS LOSS FOREIGN EXCHANGE EARNENDS OVER. NEXT FEW YEARS. I SAID WE BELIEVED KEY FACTOR IN CORRECTING. SITUATION WAS GREATERHUSE CHEMICAL FERTILIZERS 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 FERTILIZERS I OUTLINED! FIASCO OF LAST MAY/JUNE RE USAID FERTILIZER LOAN, WHEN WE THOUGHT WE HAD UNDERSTANDING WITH ROA THAT FERTILIZER: DISTRIBUTION WOULD BE TURNED OVER TO PRIVATE SECTOR ONLY TO DISCOVER THAT THIS WAS APPARENTLY NOT OR NO LONGER GOVERNAL MENT IS POSITION. I ADDED THERE WAS NO POINT DEALING WITH MINISTRY OF AGRICULTURE AND IRRIGATIONS WHOSE; ADMINISTRATIONS SEEMED AIMED AT HOLDING UP PROGRESS AND THAT ITS SYSTEM WAS CORRUPT'S I NOTED: PUBLICIZED: CLAIM THAT MAI HAD DISTRIBUTED! 24,000 TONS FERTILIZER LAST YEAR'S BUT THAT I DOUBTED ITS. 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 ITTHAT FERTILIZER WAS DISTRIBUTED TO THOS WHO NEEDED IT WHEM THEY





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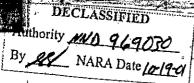
NEEDED IT A BRIEFLY OUTLINED MIXED DISTRIBUTION SYSTEM IN INDIA WHICH WORKED SUCCESSFULLY FOR THAT COUNTRY, DESPITE A BASIC SOCIALISTIC APPROACH TO ECONOMIC DEVELOPMENT I SAID AFGHAN FARMERS

AFGHAN PARMENS
WERE INTELLIGENT ENOUGH TO KNOW WHAT FERTILIZER
COULD: DO: AS DEMONSTRATED BY THEIR WILLINGNESS TO SUY FERTILIZER
ON BLACK MARKET DESPITE PRICES: HIGHER THAN THOSE OF MAIL
THERE, WAS NO NEED TO SUBSIDIZE FERTILIZER, I ADDED GIVEN
PROPER CREDIT FOR FARMERSWHO WOULD PAY THE PRICE NOWITHAT
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 BELLEFTTTO
THE MAI ALONE AND THAT IT SHOULD INVOLVE THE MINISTRIES OF
FINANCE AND COMMERCE AS WELL. I ALSO NOTED NEED FOR EXPANDED
AGRIQULTURAL CREDIT AND SAID THAT THE AGRICULTURAL DEVELOPMENT.

BANK WAS DOTING FAIRLY WELL BUT THAT ITS PROCEDURES WERE STILLS CUMBERSOME AND GREATER SPEED WAS NEEDED IN PROVIDING CREDIT TO FARMERS WHEN THEY NEEDED IT.

7. TURNING: TO WATER SHORTAGE, I EXPRESSED APPROVALITHAT JANGALAK FAGTORIES WERE PRODUCTING PUMPS ON KPV NT BASIS AND TAKING EXTRAORDINARY MEASURES TO OVERCOME PRODUCTION BOTTLE ... NECKS. SUCH AS BRINGING BY AIR DIESEL ENGINES FROMGERMANY* ON OTHER HAND, I NOTED THAT SUFFICEENT WORK HAD NOT BEEN DONE! ON APPEAL MADELTO BEC FOR EMERGENCY ASSISTANCE ON DROUGHT SITUATION: I URGEDITHAT EGA GOIDERECTITO EECLITHROUGH ONELOF: 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! CALLENG! 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 NUMBERIONE! 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 BOING ON IMPLEMENTATION OF INDUSTRIAL DEVELOPMENT BANK BILLI WHICH HE HAD WORKED SO HARD TO GET PARLIAMENTARY APPROVALED





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AND TO GET 1BRD AND CHASE MANHATTAN HERE. TO WORK! OUT DETAILS:

1 ADDED THAT THIS WAS: AN ESSENTIAL STEP IN REFORMING! AND:

MODERNIZINGBANKING: SYSTEM: WHICH WAS KEY TO CREDIT SYSTEM!

AND. ESSENTIAL FACET FOR DEVELOPMENT: 1 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 GOVERNMENTRESOURCES BEING, USED TO: ASSIST IN: DEVELOPMENT

OF THEIR: CONSTITUTENCIES AND PROVIDE: BASIS: FOR, SUPPORT OF!

INCREASED TAXATION:

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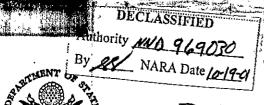
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9. I EMPHASIZED NEED TO EXPAND WORLD, BANK S ROLE, IN AFGHANT STAN AND WOTED IT APPEARED READY AND WILLING TO HELPLIF! THERE WAS EVIDENCE THAT REA WAS SERIOUS ABOUT DEVELOPMENT. I URGED THAT IBRD BECOME INVOLVED IN THE PLANNING PROCESS AND THAT THE REA 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 REALS! SERIOUSNESS AND COULD RESULT IN INCREASED FLOWS OF ASSISTANCE.

TO TAKE SOME PSYCHOLOGICAL ACTIONS SUCH AS A SPEECH FROM THE THRONE, DESIGNED TO "UOLTM THE PEOPLE AND MAKE THEM AWARE THAT THIS GOVERNMENT INTENDED TO DO SOMETHING. I CITED FOR 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.

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 A CHANGE TAN ARE UNSELFISH. HE ACKNOWLEDGED SERIOUSNESS OF A CHARLET, CRISIS AND DANGER TO STABILITY OF COUNTRY AND MORROWS



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HE REPEATED HIS FEELING THAT THIS GOVERNMENT HAD BETTER CHANCED THAN ANY BEFORE TO DEAL WITH THE CRISIS AND THOUGH IT MAY NOW 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 SPEECHTO 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.

T2. I ASKED WITH WHOM: IT WOULD! BE MOSTUSEFUL! TO DEAL IN NEW CABINET ON ECONOMIC MATTERS. HE SAID SAMED! HAMED! DEALTY 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:

ALBO TOOK OPPORTUNITY TO INFORM HM OF IMPENDING VISIT BY AMBASSADDR 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, FOR TOUCHED UPON. HE SAID HE HOPED WE COULD GET TOGETHER! WITHIN THE NEXT THEN DAYS AS HE ESPECIALLY WISHED TO HAVE MY VIEWS ON THE INDIA-PAKISTAN SITUATION.

15. COMMENT: I FEEL MEETING WENT EXTREMELY WELL: CONVERD SATION 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 NOSHOLDS BARRED PITCH TOOK INTO ACCOUNT POSSIBLE ADVERSE REPERCUSSIONS IN SO DEALING WITH A PROUD MONARCH BUT I BELIEVE THAT IT WAS WORTH THE RISK.

NEUMANN