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JUN 9 1955

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MEMORANDUM FOR THE OCB WORKING GROUP, NSC 5405



SUBJECT: Proposed Policy on Sale of Arms and War Materials to Burma

PROBLEM

In pursuance of NSC's 5405, 5422/2 and 5429/2, and recognizing the need to strengthen Burma's internal security forces--in a manner politically and financially acceptable to the Burmese Government--against anticipated Communist expansion and trans-border subversion: (a) to establish the desirability of supplying arms and war materials to Burma on bases intermediate between full-price purchase and outright gift; and (b) if this is established, to recommend courses of action for so doing.

BACKGROUND

1. NSC Directives

NSC 5405 calls for prompt and effective implementation of the reimbursable military aid agreement with Burma, and, without desiring to supplant the U.K., to make clear that a British monopoly over Burmese arms supply is not desirable (items 35 and 38a). Item 38b also recommends urging the British to expand their military mission, but this has been overtaken by events with the termination of that mission as of January 4, 1954, by the Burmese.

NSC 5422/2, in recommending that the U.S. exert its leadership in the Pacific to block Communist expansion, notes

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that in this role the U.S. should be less influenced by European allies than in respect to Atlantic affairs (II, 18); also that a new U.S. initiative should be undertaken to strengthen the uncommitted and underdeveloped free world areas, particularly in Asia, by seeking their cooperation on a basis of mutual self-respect and without attempting to make allies of those not so inclined (IV, 22). Item 27 furthermore recommends a review of aid policies to develop more flexible over-all procedures to meet changing world conditions.

NSC 5429/2 calls for increased efforts to develop the political, economic and military strength of non-Communist Asian countries (I, 1-b); for continued limited military assistance and training wherever possible to assist Southeast Asian states in stabilizing legal governments and controlling subversion (IV,8); and for the restoration of U.S. prestige in the Far East by a new initiative in Southeast Asia, to stabilize the situation against further losses to Communism.

2. Summary History

Burma became eligible for Reimbursable Military Assistance in June, 1953, after having given the assurances requisite under the then Sec. 408(e) of the MDAA Act as amended (now Sec. 106(b), MS Act of 1954). An "approved list" of items available for purchase in the U.S., concurred in by the U.K., was handed the Burmese Government by Embassy Rangoon on March 24,

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1954 (see Annex B), but to date the Burmese have made no formal request to buy.

*have been*  
~~Annex A gives a summary of the negotiations and traces the~~  
unsatisfactory situation insofar as U.S. and U.K. supply is  
concerned. The Burmese Government is seeking a steady source of  
military equipment and training from free world sources, at a  
price it can afford but under an arrangement which would in no  
way interfere with Burmese control over military policy.

To this end Burma has despatched military missions to several free nations, negotiated the Reimbursable Military Assistance agreement with the United States, and discussed at length with Great Britain the establishment of British supply and training on a new basis. These efforts have been in the main unsuccessful to date because: (a) the free nations other than the U.S. and the U.K. cannot provide the steadiness of supply, width of choice nor expertise which the Burmese desire: (b) U.S. purchase prices are considered beyond the means of slender Burmese dollar resources; the choice offered by the U.S. has moreover been drastically limited by subjection to U.K. screening; (c) the U.K. itself is apparently not prepared to furnish military equipment and services without exerting what the Burmese consider undue influence over their military policies.

The Burmese, however, still hope for an arrangement whereby they can purchase U.S. materiel on a more extensive basis than  
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the very limited "approved list," and also "at a very reasonable price." An approach on these lines was made informally by the Acting Burmese Foreign Minister in July, 1954; and the Foreign Minister has more recently indicated that if this approach were encouraged Burma would formally request to send a military purchasing mission to the U.S.

At the OCB meeting of July 21, 1954, the following was recorded in the Minutes, Report Item 3(c): "With regard to Burma, noted a statement by FOA of the desirability of introducing more flexibility whereby the U.S. could supply MDAP material on some basis intermediate between cash purchase at full market price and outright gift."

DISCUSSION

The FOA statement quoted above is fully consonant with the views of the Department of State, which believes it in the U.S. interest to supply arms and military equipment to Burma in a manner acceptable to the Burmese both politically and financially. It is hoped that ways may be found discreetly to help the Burmese Government finance the purchase of U.S. arms and equipment. Discussion follows.

1. Political Factors

a. The Burmese Government's internal control has progressed to the point of firmness and the Government has given increasing indication, with changing conditions in Southeast Asia,  
of its



of its resolve to combat external Communist aggression to the best of its ability. While Burmese leaders have no illusions regarding the permanency of the U Nu-Chou En-lai statement of June 29, 1954, they believe it may give them several years' reprieve from Chinese aggression; but they believe it almost inevitable that Burma will eventually become a target for Chinese attack.

b. It is United States policy to strengthen the free nations of Asia against Communist sub<sup>s</sup>versions. Intensified Red subversive efforts against Thailand and Burma are now to be expected: for instance, the Communists are developing in Yunnan (in areas bordering on Burma and Thailand) not only the Thai Autonomous State of Sibsongpanna but also a "Free Kachin and Shan State Movement" with headquarters at Man Yok. There have been reported Red Chinese infiltration gambits in both the Shan and Kachin states of Burma, and while still on a small scale these gambits have the Burmese leaders worried.

c. Although Burmese leaders realize that it would be possible to obtain grant military assistance from the U.S. through an MDAP agreement, they are unwilling to take this course because they consider that Burmese public opinion at this time would not permit the radical departure from the popular<sup>ly</sup> demanded "neutral" foreign policy which such an arrangement would entail. These leaders wish to obtain free world assistance, and do not intend



intend to seek Communist military aid; but they must pay for what they get, for political reasons, and cannot pay more than a nominal price, for budgetary reasons.

d. Great Britain, which in the past has been Burma's only supplier, has evidently spoiled its chances of continuing in an exclusive role by its efforts to cling to a most favored position--and thereby to protect the considerable economic investment which it still has in Burma--<sup>through</sup> a supply policy designed to exert influence over Burmese military policy. In line with these efforts the U.K. has hampered U.S. attempts to implement the Reimbursable Military Assistance agreement. Furthermore, the U.K. is reportedly attempting to negotiate a new British Services Mission agreement which still stipulates U.K. exclusivity as supplier of arms and training to Burma. The Burmese have made it clear that they consider such a stipulation unacceptable, especially as it would in their view perpetuate some aspects of Colonialism.

U.S.-Burmese negotiations for the sale of arms to Burma under 408(e) have failed not only because of the price factor but also because of the long delays in time and the drastic limitations in availability occasioned by the British attitude during our prescribed consultations with them. The "approved list" finally handed the Burmese in March, 1954, contained very few items that they really wanted. This situation gave rise to a conclusion on  
the part



the part of the Burmese, unfortunately firm and widespread, that we were acquiescing in U.K. ambitions for a "sphere of influence" in Burma. It is in the U.S. interest that we dissociate ourselves from the U.K. in this context. Such dissociation, however, should seek to avoid an open break with the U.K. over our Burma policy, which might cause the U.K. to "lose face" in Asia.

2. Bases for Negotiation

As mentioned above the Burmese are anxious to buy U.S. arms if prices can be put within their means, and they are ready to make a formal request if encouraged to do so. But they would not wish to re-open negotiations solely on the limited basis of the "approved list" offered last March. A glance at this list, summarized in Annex <sup>A</sup> B, will show that its scope leaves much to be desired.

The British assert they can <sup>adequately</sup> supply Burma's military needs, but the Burmese consistently maintain that the U.K. is not doing so--a position concurred in by our attachés at Rangoon. And although it appears not unlikely that the U.K. will be able to remain the principal, if no longer the sole, supplier of Burmese arms, the U.K. supply situation has been most uncertain since the British Services Mission was terminated last January. While the U.S. should [certainly not attempt to supplant the U.K. as chief source--and should indeed] undertake no more than a limited supply role, any U.S. effort to be effective and worthwhile should be

on a





on a basis of more latitude and flexibility than is afforded by the present "approved list." In line with current NSC directives, and especially NSC 5422/2 with respect to the degree of influence of European allies, it is believed in the U.S. interest to extend the scope of our supply to Burma beyond present limitations, on a relatively modest but <sup>and useable</sup> practicable basis.

The Office of Military Assistance, Department of Defense, has suggested as a possible course of action that negotiations be re-opened on the basis of supplying <sup>equipment for</sup> ~~one~~ complete military units ~~for possibly more~~, rather than continue with the present piecemeal offer. While such a course would have to be studied by Defense in the light of availability and training considerations, as well as of Burmese standards, capabilities and desires, some such practical approach should be employed if a U.S. effort is to be effective.

*Carne* ~~If such a course were decided on, and found mutually acceptable to Burma and the U.S., we should then go to the British and inform them that we believe it desirable, without supplanting the U.K. as principal supplier, to increase Burma's potential for defense against Communist subversion; and that we hope the U.K. will cooperate.~~

3. Suggestions for Financing

Before concrete plans can be made discreetly to help Burma finance purchases of U.S. arms it should be ascertained



*was* (a) how much the Burmese may wish to spend in US dollars over the next few years, and (b) what percentage of the full purchase price they would be prepared to bear (e.g., 25%, 33-1/3%, 40%, 50%). Ambassador Sebald, now in Washington, favors an offer of 25% or even less, believing that the best approach would be to tell the Burmese, in effect: This material is worth \$100, but certain legislation makes it possible to offer it to you for \$25 with no political strings attached.

~~For the present purposes, on the basis of general observation of the Burmese position, it is suggested that U.S. support in the amount of \$20 million for each of two succeeding years might be a suitable working figure.~~

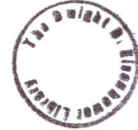
*Under existing legislation, the following methods may be used for furnishing military equipment to Burma:* The following sources of funds are suggested:

a. M.S. Act, 1954: Under the provisions of the Mutual Security Act of 1954 military end-items may be furnished (grant or sale) to Burma under the following conditions:

(i) Section 103: Not applicable, since Burma is not prepared to sign an MDAP agreement.

(ii) Section 106. "The President may ... sell or enter into contracts for the procurement for sale of equipment, materials, or services to any nation or international organization: Provided, That prior to the transfer of any such equipment, materials, or services to any nation which has not signed an

agreement



agreement ..., the President shall have received commitments satisfactory to him that such equipment, materials or services are required for and will be used by such nation solely to maintain its internal security, its legitimate self-defense, or to permit it to participate in the defense of the area of which it is a part, ..., and that it will not undertake any act of aggression against any other state."

*new in effect*  
*(then in a military assistance agreement with [redacted])*

(iii) Section 401. This is the Special Fund controlled by the President to be used when it is inadvisable to specify the nature of expenditures. Not more than \$20,000,000 may be allocated to any one nation in any fiscal year.

(iv) Section 505. "Assistance under this Act may be furnished on a grant basis or on such terms, including cash, credit, or other terms of repayment (including repayment in foreign currencies or by transfer to the United States of materials required for stockpiling or other purposes) as may be determined to be best suited to the achievement of the purposes of this Act." (The procedures for providing aid under this section of the M.S. Act have not been worked out.)

In



In addition to the military end-items that may be furnished under the conditions listed above, direct support to forces (common use items, etc.) may be furnished under Section 121 of the Mutual Security Act. These funds are administered by FOA when used for this purpose. The requirement for an MDAP agreement to receive aid under this section may be waived by the President.

Military aid (end-items) may be furnished Burma under all three, or any combination of the three, sections (10~~7~~<sup>6</sup>, 401, 505) discussed above. The amount and extent of this aid is dependent upon the desires and economic capability of the Burmese, as well as a determination by the United States as to the amount and extent of aid deemed necessary.

*present #* → b. Private Corporation: Plans are now under way on the part of a U.S. agency to use the device of a private corporation (already established) to help supply small arms and other minor items to the Burmese constabulary (Union Military Police). While present plans are very limited in scope (roughly \$150,000), if the arrangement proves satisfactory it might be later possible to enlarge its field of activity to handle certain categories of military supply. Any such activity would be supplementary to the regular basis already proposed.

This device is partly intended as a means of attaching U.S. personnel to the Burmese police, and might serve also as a vehicle



vehicle for training the armed forces should the situation require it (see below, Training).

Funds for support via the private corporation would probably need to be furnished under Section 121 of the M.S. Act, administered by FOA.

#### 4. Training

The Burmese, because of their neutrality policy, are fearful of a MAAG. They terminated the British Training Mission because they were unwilling to have foreign groups other than diplomatic within their country enjoying extraterritoriality. On the other hand, the U.S. Department of Defense would expect to provide at least a minimum of technical advice with any equipment it might sell to Burma.

The two considerations are not necessarily contradictory. Although a MAAG as such would be unacceptable, it is the opinion of Embassy Rangoon <sup>and the Service attaché</sup> that the Burmese would be willing to employ foreign military technicians on an ad hoc basis, being careful to avoid any arrangement which might permit foreigners to exercise influence on military planning and policy. (\*)

It has been suggested that U.S. instructors might be added to the Embassy Attaché staff; also that civilian "factory technical representatives," either from the principal manufacturers of  
equipment

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(\*) One Israeli officer and ten airmen recently arrived in Rangoon to advise and aid temporarily in the maintenance of 30 reconditioned Spitfires sold to Burma by Israel.



equipment or from the U.S. armed forces employed as civilians, on a direct contract basis. The latter might be arranged through the private corporation; in this connection the Burmese might wish to attach a police representative to their purchasing mission.

In any case instructors would have to be employed nominally by the Burmese Government, and their number should be as limited as possible.

COURSES OF ACTION

1. Acquaint the Burmese Government informally with the possibilities for procuring arms and military equipment available under prevailing M.S. legislation (Sections 106, 401, 505), <sup>permitted at that time maximum</sup> possible grant aid cannot exceed \$20 million.

2. If the Burmese Government expresses interest, and asks to send a purchasing mission to the U.S. to negotiate under these conditions, be prepared to encourage and receive them.

3. If and when such a course is established and is to become public, inform the U.K. of the projected mission; that we believe it desirable, ~~without supplanting the U.K. as principal supplier,~~ to augment Burma's potential for defense against Communist subversion; and that we hope the U.K. will cooperate. <sup>Even if the U.K. registers objection, the U.S. should proceed with its plan.</sup>

4. Note that the <sup>plans for utilizing as</sup> private corporation <sup>are</sup> now set up and being utilized to supply the Burmese constabulary, while at present on a small scale and limited to that field, is relevant to the problem, and <sup>the corporation</sup> might be of utility as an eventual framework for certain categories of purchases and training.

5. Advise



*Inform*  
 5. [Advise] the Burmese that the U.S. would consider favorably a request for technical advisers to assist in the use of the materiel furnished; Such advisers [as might be requested could] be *might* made available on a direct contract basis, or under an expanded attaché section of the Embassy.

*change to 4*  
 6. The U.S. would evaluate and screen Burmese requests in the light of availability of items and the proposed method of payment.

RECOMMENDATION

~~1. That the desirability of supplying war materials to Burma on the suggested bases be established.~~

~~2. That the recommended courses of action be approved.~~

~~ANNEX A - Summary of Negotiations.~~

~~ANNEX <sup>A</sup><sub>B</sub> - Summary Outline of "Approved List."~~

~~(N.B. Annexes are the ones appended to paper circulated August 19.)~~

*wmb*  
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 September 20, 1954