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DATE October 27, 1954

COPY NO. 7

OPERATIONS COORDINATING BOARD

Washington, D.C.

OPERATING PLAN ON SALE OF ARMS AND WAR

MATERIALS TO BURMA

REFERENCE: Board Meeting, July 21, 1954,
Item 3, Report Item 3c and d.

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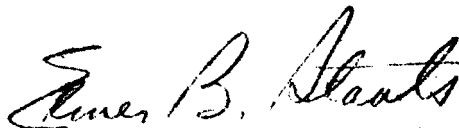
October 27, 1954

MEMORANDUM FOR THE OPERATIONS COORDINATING BOARD

SUBJECT: NSC 5405 (Southeast Asia) - Operating Plan on Sale
of Arms and War Materials to Burma

The attached paper, prepared in response to the Board's Minute of the July 21, 1954 Meeting (Agenda Item 3, Report Item 3c and d), was approved, as revised, by the Board at its meeting on October 27, 1954.

A previous draft of this paper dated October 5, 1954 is obsolete and may be destroyed in accordance with security regulations of your agency.



Elmer B. Staats
Executive Officer

Attachment:

Operating Plan on Sale of Arms and War Materials to Burma with Annex A - Summary of "Approved List" of War Materials Offered for Sale to Burma by the U.S., dated October 27, 1954.

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OPERATIONS COORDINATING BOARD
Washington 25, D. C.

October 27, 1954

OPERATING PLAN 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 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.

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

Negotiations insofar as U.S. and U.K. supply is concerned have been unsatisfactory. 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 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

1. Political Factors

a. The Burmese Government's internal control has progressed to the point of firmness and the Government has given increasing

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indication, with changing conditions in Southeast Asia, 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 subversion. 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 "neutral" foreign policy which such an arrangement would entail. These leaders wish to obtain free world assistance, and do not 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--through a supply policy designed to exert influence over Burmese military policy. 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 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 of the Burmese, unfortunately firm and widespread, that we were acquiescing in U.K. ambitions for a

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"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, shall be carried out so as to avoid a break with the U.K. over our Burma policy.

2. Basis 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" finally concurred in by the British and offered to Burma last March. A glance at this list, summarized in Annex A, will show that its scope leaves much to be desired.

The British assert they can adequately supply Burma's military needs, but the Burmese consistently maintain that the U.K. is not doing so--a position concurred in by our attaches 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 undertake no more than a limited supply role, any U.S. effort to be effective and worthwhile should be 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 practicable and useable basis.

The Department of Defense has suggested as a possible course of action that negotiations be reopened on the basis of supplying equipment for complete military units 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.

When a U.S. decision has been reached to go ahead we should inform the British of the proposed action to increase Burma's potential for defense against Communist subversion, expressing our hope that the U.K. will cooperate but making it clear that the U.S. feels obliged to proceed without further delay.

3. Suggestions for Financing

Before concrete plans can be made to help Burma finance purchases of U.S. arms it should be ascertained (a) what equipment consistent with the U.S. interest is considered to be most urgently

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required by the Burmese and (b) how much the Burmese can provide from their own dollar resources over the next few years.

Under existing legislation, the following methods may be used for furnishing military equipment to Burma:

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 ..., 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." (There is now in effect a reimbursable military assistance agreement with Burma.)

(iii) Section 401. This is the special authorization controlled by the President for the use of a portion of the appropriated funds 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.)

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(v) Section 121: "Assistance under this Section shall be made available subject to the provisions of Sections 141 and 142, except that . . . in the case of assistance (not to exceed in the aggregate 10 per centum of the amount appropriated pursuant to this section, excluding unexpended balances of prior appropriations) to other nations, the President may waive specific provisions of Section 142 to the extent he may deem necessary in the national interest to carry out the purposes of this Act." (The authorization under this section is \$700 million; therefore, the maximum that can be authorized for all nations utilizing the waiver provision is \$70 million.)

Military aid (end-items) may be furnished Burma under all four or any combination of the four sections (106, 121, 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. It is not practicable at this time, prior to actual negotiations with the Burmese and screening of their requests by Defense, to determine the magnitude of the ultimate program which might be desirable. However, given the aim of moderately improving the Burmese potential for defense against Communist subversion, it is considered that \$20 million would represent an upper limit of the U.S. contribution in grant aid. To this amount would be added whatever the Burmese would agree to pay themselves, which it is believed should be a substantial amount though not necessarily matching the U.S. expenditure.

In the absence of legislative authority to furnish military equipment at reduced cost, it is proposed that Burma should be furnished military equipment on a reimbursable basis at established rates under Sections 106 and 505, and that the U.S. in addition grant Burma military equipment to an amount to be determined under Section 121 and/or 401.

b. Public Law 480 (Agricultural Trade Development and Assistance Act of 1954): Preliminary inquiries by Embassy Rangoon into the possibilities for sale of U.S. agricultural products in Burma indicate that prospects are not bright, as Burma exports many types of agricultural products. In the Embassy's opinion Burma might provide a market for limited quantities of dairy products, cotton, wheat flour, and tobacco. According to present indications such a program, provided it were politically and economically acceptable to Burma, could at best account for a small percentage of the U.S. support envisaged under Section 121 and/or 401 of the Mutual Security Act, above. The possibilities are being further explored, but an agricultural products program should not be counted on as a substantial planning factor, even assuming it were acceptable to Burma.

Funds for support via the private corporation would probably need to be furnished by FOA under Section 121 of the Mutual Security Act.

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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 and the Service attaches 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 Attache staff; also that civilian "factory technical representatives", might be furnished either from the principal manufacturers of equipment or from the U.S. armed forces employed as civilians, on a direct contract basis. 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. Given a decision to go ahead with a program with respect to Burma, inform the U.K. of the proposed action, based on our belief that Burma's potential for defense against Communist subversion must be augmented. Express our hope that the U.K. will cooperate but make it clear that the U.S. feels obliged to proceed without further delay.

2. Acquaint the Burmese Government informally with the possibilities for procuring arms and military equipment available under prevailing Mutual Security legislation (Sections 106, 121, 401, 505), pointing out that the maximum possible grant aid should not exceed \$20 million and that some guarantees respecting end use of such equipment would be required. Section 401 funds will be used only as a last resort, and such use will be subject to the approval of the OCB.

3. 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.

(*) 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.

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4. The U.S. would screen the Burmese requests in the light of availability of items, utility thereof, and the proposed method of payment.

5. Inform the Burmese that the U.S. considers qualified military training and technical advisers to be essential to assist in the use of the materiel furnished. Such advisers might be made available on a direct contract basis, or under an expanded attache section of the Embassy.

Attachment;

Annex A - Summary of "Approved List" of War Materials
Offered for Sale to Burma by the U.S.

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ANNEX ASUMMARY OF "APPROVED LIST" OF WAR MATERIALS
OFFERED FOR SALE TO BURMA

(The following is a highlighted summary, for handy reference, of the items agreed upon with the UK and offered for sale to Burma. For full details see Rangoon's despatch 376, March 29, 1954.)

<u>ITEM</u>	<u>QUANTITY</u>	<u>APPROXIMATE TOTAL COST</u>	<u>APPROXIMATE AVAILABILITY</u>
3.5" Rocket Launcher.....	1,050.....	\$87,507.....	9 mos.
plus spare parts			
3.5" Rockets.....	244,600 rds.....	\$3,571,160.....	12 - 18 mos.
155 mm. Howitzer			
plus spare parts.....	18.....	\$610,914.96.....	13 mos.
Tractor.....	22.....	\$446,006.....	3 mos.
Truck, various.....	28.....	\$120,248.....	3 mos.
Truck, various.....	91.....	not quoted.....	not quoted
Trailer.....	24.....	\$30,960.....	3 mos.
Trailer, various.....	38.....	not quoted.....	not quoted
Radio sets, various.....	37.....	not quoted.....	not quoted
Machine guns, .50 cal.....	20.....	\$13,900.....	3 - 6 mos.
Machine guns, .30 cal.....	10.....	\$4,286.....	3 mos.
Assorted Portable Barracks and Sheds.....	400.....	\$1,056,700.....	180 days
Plywood.....	2,000.....	\$10,560.....	90 days
Mules.....	300.....	not quoted.....	not quoted
(Also a number of instruments and various equipment such as altimeters, compasses, lighting equipment, etc.)			
Corsair Fighters.....	50.....	\$14,650,000.....	9 - 12 mos.
Crumman Amphibians.....	6.....	\$4,170,000.....	6 - 9 mos.
2-place Fixed Wing.....	2.....	\$40,000.....	12 - 18 mos.
Air Training Devices.....	7.....
Air Bombs.....	3,000.....	\$294,000.....	30 - 60 days
Air Ammo.....	1,200,000 rds.....	\$708,000.....	30 - 60 days
Air Rockets.....	8,000.....	\$1,028,000.....	30 - 60 days

As mentioned in the memorandum to which this is an appendix, the above material totals roughly \$32 million plus unpriced items, training and assessorial charges.

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