

INSTITUTE OF CURRENT WORLD AFFAIRS

CM-6
Foreign Policy in the Indus Basin
The Mangla Dam

Karachi
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Dear Dick:

In 1960 the United States joined with Pakistan, India, four other states, and the World Bank to make contributions to the Indus Basin Development Fund. The total resources to be available were the equivalent of \$894,000,000, of which amount 54 per cent was to come from U. S. sources.¹ It is now estimated that the cost of the Indus Basin Development will reach \$1.8 billion, more than double the original estimates - about par for the course. The expectation is that the United States in due course will ante up a 54 per cent share of the increased cost.

The plan for development of the Indus Basin was formulated as a first step in a free world try to bring political peace to the Indian subcontinent. The separation of India and Pakistan in 1947 had been based on political lines drawn to separate the Muslims of Pakistan from the predominantly Hindu population of India. Geography was ignored. As a consequence, India acquired physical possession of the headwaters of three east-bank tributaries of the Indus River and asserted the right to divert those waters to its own use. This left some 1,000,000 acres of Pakistan without a reliable source of water. The subsequent water dispute festered for a decade. It was finally terminated in 1960 by the Indus Waters Treaty between Pakistan and India, and by creation under World Bank auspices of the Indus Basin Development Fund.

Although the political purpose of the Treaty and the Fund Agreement was to promote peace in the subcontinent, physically the settlement involved providing Pakistan with its own sources of irrigation to replace those acquired by India.

To achieve this purpose, one of the world's largest dams (Mangla) is being constructed;

1. Dollar gift \$177 million;
rupee gift equivalent to \$235 million; soft D.L.F. loan \$70 million; total \$482 million, plus U. S. percentage of the \$70 million hard loan from the World Bank.



The Marcy Survey Team at Mangla

another is under study (Tarbela); and a series of canals, diversions, and related facilities are to be built.² When the plan is completed, Pakistan will have full replacement for irrigation waters lost to India, plus an installed 2,000,000 kw electrical capacity - nearly four times as much again as now exists in all West Pakistan. In addition, Pakistan will have substantial potentials for increasing both its irrigation and electrical resources at relatively lower cost than would otherwise be the case.

The biggest chunk of money thus far committed to give effect to the Indus Basin Development is for construction of the Mangla Dam on the Jhelum River at the border of West Pakistan and Kashmir. An American consortium of eight construction firms - the Mangla Dam Contractors headed by the Guy F. Atkinson Company of South San Francisco - won the contract against three other contenders. The bid was for \$354 million. This low bid was predicated on the contractor's assumption that its know-how and drive would result in completion of the project ahead of schedule, thus enabling the consortium to collect performance premiums.

The Mangla Dam is located halfway around the world from the home office of the Atkinson Company. With time the essence of profit, it was interesting to see how this group of American contractors is going about its business. I had a special interest in visiting Mangla because for three successive years I have seen the Russians at work on the Aswan Dam on the Nile. Although there are many physical differences between the two projects, there are some similarities - including 115-degree summer temperatures, the training and housing of local employees, the utilization of heavy equipment, and the race against flood seasons when a year's time may be lost if construction is not ready for the flood. Furthermore and although comparisons by a non-engineer may be misleading, the Mangla Dam will require fill materials in the order of 78 million cubic yards in comparison with but 53 million cubic yards of fill for the Aswan Dam.

The Mangla Dam Contractors³ moved the first American personnel into Mangla in January 1962 expecting to complete the dam by July 1967, one year ahead of schedule. Before much of the dam work could begin, the race against time required the construction of living accommodations for 4500 expatriates (non-Pakistani personnel) and camps for 9000 Pakistani construction workers. Within nine months the expatriate colony of Baral had taken the shape of an American community. It is now complete with two churches, a modern school staffed largely by teachers from the Oregon public school system, a shopping center, a 10-lane bowling alley, a bar, a movie theater, two swimming pools, a modern 80-bed hospital, a city manager, and two suicides. The Pakistani camps, with schools, mosque, hospital clinics, and family accommodations, are complete and work on the dam is well underway.

2. The cost of Mangla is fully included in the Indus Basin Settlement. If Tarbela is found to be feasible part of its cost will be met by the Indus Fund.

3. Guy F. Atkinson Co., Chicago Bridge & Iron Co., S. J. Groves & Sons Co., Chas. L. Harney, Inc., C.J. Dangenfelder & Son, Inc., Ostrander Construction Co., R.A. Trippeer, Inc., and Walsh Construction Co.

American equipment and supplies are in use, including such items as 3000 air conditioners from the Amana Refrigeration Company of Iowa, the world's largest mechanical mole (a \$1 million tunnelling device built by the James S. Robinson Co. of Seattle), Caterpillar and Euclid earth-moving equipment, Honeywell regulators, and frozen foods. In addition, miscellaneous supplies have been acquired from 20 other free world nations. Working 20 hours per day, six days a week, the contractors are running slightly ahead of schedule and beginning already to phase out some of the expatriate personnel in favor of Pakistanis trained to take their places.

Mangla Dam is well on its way to becoming a monument to American construction know-how, ingenuity, and speed. Few Americans could view it without a glow of pride.

Although over 50 per cent of the financing of the dam comes from U. S. sources, Americans on the job in Mangla consider themselves employees of private American contractors working under the general administration of the World Bank. There was some shock when I suggested to a group of rugged American individualists that they were working at least half time courtesy of the American taxpayer and the foreign aid program. When that suggestion was made there was some introspection as to just what this monument to American aid had bought for the United States.

To the extent that United States contributions to the Indus Basin Development Fund were expected to be a first step in bringing political peace between India and Pakistan, little, if anything, has been accomplished. Although the Indus development is under way, the Kashmir issue is as alive and pregnant with danger as ever. Pakistan-Indian relations are no better today than they were in 1960; they are probably worse. The same may be said of Pakistan-United States relations. The deterioration of international relationships on the subcontinent is attributable, of course, to the Chinese attack on India in November 1962, and to subsequent military assistance which the United States has given to India. No amount of money poured into Indus Basin projects in Pakistan will alleviate that country's sense of outrage at the action of the United States in arming India without insisting on settlement of Kashmir as a quid pro quo.⁴ As one Pakistani said to me: "Pakistan can no more tolerate the United States arming of Pakistan's mortal enemy, India, than the United States could tolerate the U.S.S.R.'s arming Cuba with missiles. The United States could do something about it; we can't."

Although most of the Indus Basin Development Fund will be spent on construction in Pakistan, the Pakistanis still believe they got a raw deal when India's threat to cut off water was settled by the Indus Agreements. In the words of a Pakistani:

4. The impression is strong in South and Southeast Asia that the Chinese attack on India was a tremendous political victory for China which at one blow virtually destroyed Indian influence, enhanced her own, and now threatens to split Pakistan out of SEATO and CENTO.

"India is the main beneficiary (of the Settlement Plan). As such, all contributions to the Indus Basin Development Fund are in effect aid to India and not to Pakistan and should be so designated..." (Article in Trade and Industry, September 1963).

As of the moment it is difficult to envisage any political or foreign policy advantages flowing to the United States from its contributions to the Indus Basin Development Fund. Indeed, the United States must even tread carefully in claiming that any substantial portion of the funds for the Mangla Dam are spent on products from the United States. Testimony before a Congressional committee by a Deputy AID Administrator that 75 per cent (\$379 million out of \$497 million) of the contracts let for Indus Basin Development to date have been given to U. S. firms was page one news in Pakistan. I was told that while this kind of emphasis might be helpful in getting foreign aid through Congress, it was not helpful to United States-Pakistan relations to suggest that the United States was benefiting as a principal supplier of products for the dam.

There are some non-political benefits accruing to the United States, however. These arise not from the fact that the United States contributed over 50 per cent of the cost of the Dam, but from the presence of American contractors in Pakistan engaged in a big job.

The training of Pakistani employees by American technicians and the use of American equipment on the project may in the future mean that the Pakistan government and private industry will more readily turn to the United States as a principal supplier in future developments in Pakistan. The existence of an American community in Pakistan may influence development in a variety of ways. For example, the Baral Colony School, attended by American and Pakistani students, is often visited by bus loads of Pakistani educators. The American hospital has become a mecca for injured Pakistanis, even though treatment must be limited to individuals directly related to the Mangla project. On balance it seems that the existence of such a community has a positive impact. However, as might be expected there have been some incidents which have lent themselves to distortion and bad feeling.

In summary, whatever political or foreign policy advantages the United States may have anticipated by reason of its participation in settlement of the Indian-Pakistan water dispute, the Chinese attack on India and subsequent developments have destroyed at least for the present. Economic or other tangible benefits that might accrue to the United States are hard to identify and of a minimal character.

Perhaps for many years the Mangla Dam will be known as the dam that the Americans built. But Americans might as well put out of mind any expectation of contemporary political influence, short-term economic advantage, or gratitude. In the long run it may be that a nation with a big dam, power resources, and irrigation capacities is more likely to develop in a pattern compatible with free world political and economic interests. This is highly speculative, however. Perhaps the United States' contribution should be viewed as a tithe from the rich to the poor. At least it can be said that the dam was built by a free world consortium rather than by the Russians. This is some solace.

Sincerely yours,

Carl Marcy
Carl Marcy