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DEPARTMENT OF STATE

Washington, D.C. 20520

January 15, 1969

MEMORANDUM OF CONVERSATION

TO : Ambassador Marks
FROM: Robert W. Beales
THRU: Wilson Dizard
INFO: Embassy Karachi
Embassy Rawalpindi
EOP - Mr. O'Connell
FCC - Chairman Hyde
NEA/PAF
INTELSAT
IO/OIC
IO/OES
E/TT

PARTICIPANTS:

Mr. M. M. Hussain - Director General of Pakistan
Telephone and Telegraph

Mr. Sheikh

Ambassador Leonard H. Marks - Chairman of the U. S.
Delegation to INTELSAT

Mr. Wilson P. Dizard

Mr. Robert W. Beales

In response to Ambassador Marks' question, Mr. Hussain said that bid documents for Pakistan's two earth stations had recently had to be amended slightly, but were nearly ready to be issued. That would probably occur in March or April.

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Mr. Hussain noted rather early in the conversation that his country's problems with Intelsat were primarily financial and that he had asked the COMSAT Corporation to analyze the financial implications for Pakistan of the alternative recommendations contained in the ICSC Report. When asked about any particular interests Pakistan might wish to further in the definitive arrangements, Mr. Hussain replied that Pakistan, as a potentially large user of the system, was interested in being adequately served as a user and in having a voice on the organization's policy-making and governing body, but was not interested in making a large financial investment in the system.

When Ambassador Marks interpreted this to mean that Pakistan wanted a token voice for a token investment, Mr. Hussain corrected him to stress that more than a token voice was desired. Ambassador Marks then asked what Mr. Hussain thought of giving some compensation (in the form of a greater return on capital) to those countries who made up the investment Pakistan and other LDCs did not make. Mr. Hussain did not deal with the point, but pointed out that Pakistan needed the satellite communications system principally for internal traffic between East and West Pakistan. The domestic rates that Pakistan would wish to apply to this service should not be as high as international rates.

When Ambassador Marks inquired whether Pakistan had considered its own domestic satellite for its internal traffic, Mr. Hussain reiterated that whereas the economics that determined Intelsat's rate structure were undoubtedly sound, Pakistan would prefer lower rates for domestic use of the system. Ambassador Marks commented that the U.S. might not oppose such a subsidy arrangement, but queried how it could be operated. Mr. Hussain deferred to U.S. ingenuity.

Mr. Hussain also expressed concern over Intelsat's procurement policies. He noted that whereas the U.S. investment share and voting strength were 53% (and suggested that Pakistan might come to the conference with the idea of reducing this somewhat), procurement in the U.S. had approached 90% (Ambassador Marks confirmed the percentage figure in the case of Intelsats II and III, but noted that in the case of

Intelsat IV, procurement in the U.S. would total only 60% of the total). This was a cause of dissatisfaction with Pakistan.

In response to Ambassador Marks' question, Mr. Hussain said he would not be attending the Conference. Pakistan would be represented by a two-man delegation headed by a Mr. Mohammed, Hussain's deputy. Mr. Hussain did not know if the Pakistani ambassador in Washington, Mr. Hilaly, would be a member of the delegation.