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THE SECRETARY OF STATE
WASHINGTON

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Indo-US

MEMORANDUM FOR THE PRESIDENT

Subject: South Asia: U.S. Relations with India
and Pakistan

We have undertaken a fundamental reassessment of our interests and policies in South Asia. Our detailed analysis of interests and policy options and scenario setting forth a proposed strategy for South Asia are attached. Our study suggests that we can maintain a reasonable basis for satisfactory relations with Pakistan, continue to help Bangladesh in its quest for stability, and seek a sounder basis for mutually beneficial relations with India. While this memorandum touches on other aspects of our policy in South Asia, its principal focus is on Ambassador Moynihan's mission in India.

Our major objective in South Asia is regional stability: a situation in which the nations of the area can live peacefully with each other and enjoy good and balanced relations with major external powers. In a global context we seek a peaceful system in South Asia in which the United States, the Soviet Union, and the People's Republic of China can pursue legitimate interests in satisfactory relations with all South Asian powers in a manner which reinforces respect for peaceful and orderly cooperation.

Important changes have taken place in South Asia which provide us with an opportunity to pursue these objectives. India and Pakistan are engaged in tackling their problems through negotiation and the prospects for regional stability have improved. Our relations with Pakistan are good, reflecting in large part that our economic assistance has totaled more than \$210 million since the end of the war. Nevertheless, Pakistan is troubled by our continued silence on the military supply issue. While there are occasional frictions

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in our bilateral relations with Bangladesh, there is a reasonable basis for satisfactory U.S. ties with that new country. With regard to India, recent developments have improved the prospects for sounder U.S.-India relations based on respect for each other's interests. India is making a deliberate effort to improve its ties with the U.S. It has ended the controversy about CIA activities. It has limited official criticism of U.S. policy in Vietnam. It has lifted some of the restrictions on U.S. operations in India. It has publicly and privately expressed its interest in better relations. India is undoubtedly seeking such improvement in order to attain some degree of balance for its ties with the Soviet Union and to open up the option of obtaining economic resources from the U.S. More important to India, however, is attaining U.S. acceptance of present power relationships in South Asia.

We believe we should take advantage of present opportunities to put our relations with the South Asian countries on a stronger basis. For this purpose, we have developed a series of recommendations which are set forth in detail in two additional attachments to this memorandum.

The first of these attachments contains recommendations pertaining to military shipments. When President Bhutto's special representative comes to the U.S. in March, we believe we should inform him that we have lifted export restrictions on the million dollars worth of spares and non-lethal military items belonging to Pakistan which have not been shipped because of our arms embargo. We may be able to limit the Indian reaction to this if we first give time for Ambassador Moynihan to lay the groundwork in New Delhi in his initial talks in late February.

The second attachment provides recommended talking points for Ambassador Moynihan's initial discussions in New Delhi. At the outset we believe Ambassador Moynihan should be authorized to clear up some of the impediments to U. S. - India relations caused by the war in the expectation that India will continue to clear up the restrictions it has imposed. On the U.S. side this would consist largely of advising the Indians that we are lifting the suspension of \$87.6 million in commodity aid; on the Indian side, it would for the most part comprise continued Indian movement in lifting the limitations on our use of our rupee balances.

Next, we believe the Ambassador should begin serious talks with the Indians on the direction in which our political

and economic relations should go during the next three to four years. On the political side he should set forth views on South Asia which are consistent with the stance we have taken since the end of the war:

-- we share with the South Asian countries an interest in stability and peaceful cooperation;

-- under the Nixon Doctrine we wish to be helpful but do not intend to intervene;

-- we recognize that major changes have taken place in South Asia, changes which need not adversely affect U.S. interests;

-- we support the India-Pakistan negotiations and do not intend to take actions which would alter in any significant way the ratio of military power among the nations of South Asia;

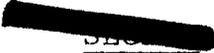
-- we are concerned about the problem of prisoners of war;

-- we wish to maintain satisfactory relations with all South Asian countries.

In the context of this exposition of our view of South Asia, Ambassador Moynihan should inform the Indians of our decision to permit shipment of the military items owned by Pakistan but held up by the embargo. He should also alert them to our consideration of an arms policy which would permit cash sales of spares and non-lethal end-items to Pakistan and India. Finally, he should assure the Indians that we will be able to issue export licenses for the \$18 million Peace Indigo radar communications project by June 30, 1973.

The Ambassador should also reiterate the importance we attach to developments in Southeast Asia and reaffirm our desire that India, in its statements and policies, take into account our interests there.

On the economic side, the Ambassador should indicate our willingness to examine the entire spectrum of U.S.-Indian economic relations. Our objective should be to seek a way of clearing away present problems, such as that caused by our accumulation of very large balances of Indian rupees and to examine how we might evolve a more satisfactory economic relationship which takes into account U.S. as well as Indian interests. In particular he should offer to examine with the


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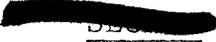
Indians how we can work together, including within the consortium context, toward the Indian development objective of reducing net aid to zero as of the end of the decade. He should also open discussions of how our trade and investment relationships can be made more mutually beneficial.

I recommend that you approve these proposals in regard to military shipments and Ambassador Moynihan's initial talks in New Delhi.

William P. Rogers

Attachments:

1. Military Supply Policy: Interim Recommendations
2. Talking Points for Ambassador Moynihan
3. South Asia Policy: Interests and Options
4. South Asia Scenario


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