SUBJECT: DEPUTY SECRETARY'S CALL ON INDIAN PRIME MINISTER

1. DEPUTY SECRETARY, ACCOMPANIED BY AMBASSADOR MOYNIHAN, SISCO AND SCHNEIDER, CALLED ON PRIME MINISTER GANDHI APRIL 20. ALSO PRESENT ON INDIAN SIDE WERE FOREIGN SECRETARY KEWAL SINGH, AMBASSADOR DESIGNATE T.N. KAUL AND PRINCIPAL PRIVATE SECRETARY P.N. DHAR.

2. DEPSEC OPENED CONVERSATION BY CONVEYING TO PRIM MIN GANJHI BEST WISHES FROM PRESIDENT NIXON. MRS. GANDHI REMARKED THAT SHE UNDERSTOOD DEPSEC HAD ALREADY MET WITH FINANCE MINISTER, AND FOREIGN MINISTER. DEPSEC REPLIED THAT HE HAD HAD INTERESTING DISCUSSION OF PROBLEMS OF WORLD WITH FOREIGN MIN. NOTED THAT THE BASIC PURPOSES OF INDIA AND THE US WERE THE SAME ALTHOUGH THE TWO COUNTRIES MIGHT NOT BE IN FULL ACCORD IN REGARD WAYS TO REACH THESE OBJECTIVES.
3. MRS. GANDHI NOTED THAT INDIA HAS ALWAYS WORKED FOR PEACE AS ITS SURVIVAL DEPENDS UPON PEACE. DEPSEC REVIEWED RECENT HISTORY OF US APPROACH TO WORLD. SAID THAT BETWEEN TWO WARS US HAD NOT HAD ACTIVE INTEREST IN FOREIGN AFFAIRS. IMMEDIATELY FOLLOWING WORLD WAR II US HAD BEEN ALMOST TOO ACTIVE. NOW PRESIDENT NIXON, WHILE NOT WITHDRAWING FROM WORLD AFFAIRS, DOES NOT INTEND FOR THE US TO BE THE WORLD'S POLICEMAN OR ARBITER OF WORLD PROBLEMS.

4. MRS. GANDHI REMARKED THAT SHE APPRECIATED THE PRESIDENT'S INITIATIVE TO BRING ABOUT DETENTE. DEPSEC REVIEWED FOREIGN POLICY RECORD OF PRESIDENT NIXON FROM HIS ANNOUNCEMENT AFTER TAKING OFFICE OF HIS INTENTION MOVE FROM CONFRONTATION TO DETENTE. SHORTLY BEFORE THIS TIME RUSSIA HAD MOVED INTO CZECHOSLOVAKIA. CONFRONTATION OVER BERLIN CONTINUED AND NUCLEAR ARMS RACE WAS UNDER WAY. IN VIETNAM US WAS IN CONFRONTATION WITH RUSSIA. AND CHINA. IN MIDDLE EAST SOVIET SUPPORT TO ARABS WAS FURTHER ELEMENT OF DIFFICULTY. PRESIDENT'S INITIATIVES HAD MADE POSSIBLE GREAT STRIDE TOWARD PEACE. US NO LONGER SEES EVERY PROBLEM AROUND WORLD AS POSSIBLE CAUSE OF CONFLICT WITH RUSSIA. US HAS REACHED AGREEMENT WITH SOVIET UNION TO LIMIT DEFENSIVE NUCLEAR WEAPONS. FOLLOWING PERIOD WHEN SOVIETS WERE ENGAGED IN MASSIVE BUILD-UP OFFENSIVE NUCLEAR WEAPONS, INTERIM AGREEMENT ON LIMITATION WAS REACHED AND TALKS WERE NOW UNDER WAY LOOKING TOWARD PERMANENT TREATY. ALSO, PRELIMINARY TALKS ON MUTUAL BALANCED FORCE REDUCTIONS AND EUROPEAN SECURITY WERE UNDER WAY. DEPSEC NOTED SOUTH ASIA TURNING TOWARD PEACE. WE WERE PLEASED AT VERY SUBSTANTIAL STEPS REPRESENTED BY SIMLA AGREEMENT AND COMMUNIQUE BETWEEN INDIA AND BANGLADESH ISSUED THIS WEEK. US STRONGLY SUPPORTS RECONCILIATION IN SOUTH ASIA AND HOPES PROGRESS CAN BE RAPID. WE BELIEVE THIS IS MATTER FOR PARTIES TO SETTLE BY THEMSELVES. US DOES NOT WANT TO BE MESSANGER OR INTERPRETER.

5. CHANGING SUBJECT, DEPSEC ASKED PRIMMIN IF SHE SAW ANY PROBLEMS BETWEEN US AND INDIA. PRIMMIN ANSWERED THAT HE SAW NO VISIBLE ONES EXCEPT RELATIONS BETWEEN INDIA AND US HAVE NOT BEEN THE BEST. AMB. MOYNIHAN HAD BEEN TRYING DEAL WITH THIS PROBLEM. DEPSEC NOTED APPOINTMENT OF DISTINGUISHED FIGURE SUCH AS AMBASSADOR MOYNIHAN WAS INDICATION OUR DESIRE IMPROVE RELATIONS. MRS. GANDHI SAID INDIA CERTAINLY WANTED SUCH IMPROVEMENT. DEPSEC RESPONDED THAT IMPROVEMENT WOULD BE GOOD FOR TWO

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NATIONS AND BENEFIT WORLD. MRS. GANDHI AGREED. DEPSEC COM-
MENTED US WANTED TO BE GOOD FRIENDS OF INDIA AS WELL AS PAKISTAN
AND BANGLADESH. OUR SOLE HOPE IN REGARD TO REGION WAS THAT THERE
BE PEACEFUL STABILITY. MRS. GANDHI REPLIED THAT THIS WAS INDIA'S
DESIRE. AND INDIA WAS WORKING TOWARD THIS OBJECTIVE. SAID EVERY
PEACE INITIATIVE IN SOUTH ASIA HAD BEEN TAKEN BY INDIA WITHOUT,
HOWEVER, MUCH RESPONSE. DEPSEC SAID HE HOPED THERE WOULD BE
PRODUCTIVE RESULTS AS IT WAS SO MUCH
IN THE INTEREST OF ALL PARTIES FROM HUMANITARIAN AS WELL AS
POLITICAL VIEWPOINTS.

6. DEPSEC EXPRESSED VIEW THAT US AND INDIA SHOULD CULTIVATE
RELATIONS NOT ONLY IN POLITICAL FIELD BUT ALSO ECONOMIC AND
COMMERCIAL. NOTED THAT INDIA ALMOST ALONE AMONG NEWLY IN-
DEPENDENT COUNTRIES HAD MAINTAINED SOUND DEMOCRACY FROM OUTSET.

7. MRS. GANDHI COMMENTED THAT INDIA HAD MADE SUBSTANTIAL
ECONOMIC PROGRESS: DESPITE PERIODIC DROUGHT. IT HAD DOUBLED
ITS PRODUCTION: INDUSTRY HAD PROGRESSED DESPITE INTERNAL PRO-
BLEMS CAUSED BY POLITICAL AND OTHER RIVALRIES. DEPSEC SAID
HE HAD FOLLOWED INDIA WITH INTEREST FOR MANY YEARS. IT HAD MADE
GREAT STRIDES IN AGRICULTURE. WORLDWIDE CHANGES IN CLIMATE
HAVE GIVEN INDIA SEVERE PROBLEMS. NOTED THAT US WAS CHANGING
AGRICULTURAL POLICY FROM ONE OF PAYING FARMERS NOT TO TILL SOIL
TO REMOVAL OF MANY SUCH RESTRICTIONS. CHANGE WAS TOO LATE TO
INCREASE WINTER CROP BUT WILL AFFECT SPRING CROPS. US FOOD
GRAIN STOCKS HAD BEEN SERIOUSLY DEPLETED AS RESULT ACHIEVING
LONG-STANDING US OBJECTIVE OF GREATER SALES OVERSEAS.

8. AMBASSADOR MOYNIHAN NOTED PRIMMIN'S RECENT STATEMENT IN
PARLIAMENT ON DIRECT BROADCAST SATELLITE PROJECT AND ASKED
IF PRIMMIN WAS AWARE OF ADDITIONAL JOINT PROJECT IN REGARD
USE EARTH RESOURCES SATELLITE TO STUDY MOISTURE OF WORLD.

9. DEPSEC ASKED PRIMMIN IF COMMUNICATION WAS ONE OF PROBLEMS
AFFECTING INDIAN ECONOMY. PRIMMIN REPLIED ALL PROBLEMS IN
INDIA WERE BIG. NOTED THAT NOW THAT PEOPLE KNOW THERE CAN
BE SIGNIFICANT FAVORABLE CHANGE, PEOPLE IN AREAS OF LITTLE CHANGE,
SUCH AS MOUNTAINS, ARE BECOMING IMPATIENT. ROAD BUILDING IN
MOUNTAINS, HOWEVER, IS VERY EXPENSIVE.
DEPSEC then reviewed economic issues facing US. Major issues of future will relate to monetary and trade affairs. President's trade bill was designed to remove barriers to trade. It includes authorization to impose quotas and tariffs as these are...
NECESSARY IF WE ARE TO BE ABLE TO NEGOTIATE REDUCTIONS.
US ECONOMIC POSITION HAD GREATLY CHANGED SINCE POST WORLD WAR II PERIOD. US HAD TRADE DEFICIT LAST YEAR OF SIX AND A HALF BILLION DOLLARS. THIS WAS CAUSED BY OVER-VALUATION OF DOLLAR AND TRADE BARRIERS SUCH AS THOSE WHICH EXIST IN JAPAN AND EUROPEAN COMMUNITY. THE PRESIDENT'S OBJECTIVE IS TO REMOVE DISCRIMINATORY BARRIERS AND BRING ABOUT FREE FLOW OF TRADE. WE HOPE TO INCREASE TRADE WITH UNDERDEVELOPED COUNTRIES AS RESULT OF GENERALIZED SYSTEM OF PREFERENCES.

11. MRS. GANDHI INDICATED UNDERSTANDING OF US OBJECTIVES AND EXPRESSED CONCERN REGARDING ECONOMIC IMBALANCE BETWEEN DEVELOPED AND UNDERDEVELOPED COUNTRIES. EXPRESSED CONCERN THIS WILL INCREASE AND LEAD TO POLITICAL PROBLEMS. DEPSEC AGREED THIS WAS POTENTIAL PROBLEM AND SAID GENERALIZED SYSTEM OF PREFERENCES SHOULD HELP.

12. MRS. GANDHI INQUIRED WHETHER EUROPEAN SITUATION WAS WORK-
ING OUT. DEPSEC REPLIED YES IT WAS. RUSSIA WAS FOLLOWING POLICY OF DETENTE. THERE HAD BEEN BERLIN AGREEMENT AND MOSCOW ACCORD WITH WEST GERMANY. PRELIMINARY TALKS ON SALT II AND THE EUROPEAN SECURITY AND COOPERATION WERE PROCEEDING SLOWLY BUT SATISFACTORILY. BREZHNEV WOULD BE VISITING US. WE WERE ASKING FOR AUTHORITY TO EXTEND MOST FAVORED NATION TREATMENT TO SOVIET UNION. WE ANTICIPATED FURTHER MOVEMENT TOWARD DETENTE IN EUROPE.

MRS. GANDHI ASKED IF THERE WAS ANY MOVEMENT TOWARD PEACE IN MIDDLE EAST. DEPSEC SAID NO. WE HAD TALKED WITH HAFEZ ISMAEL OF EGYPT, KING HUSSEIN AND MRS. MEIR IT HAD BEEN OUR HOPE TO GET DIALOGUE STARTED. THIS HAS NOT HAPPENED. OUTBREAK OF TERRORISM HAS PROVED PROBLEM.

MRS. GANDHI INQUIRED REGARDING SITUATION IN SOUTHEAST ASIA. DEPSEC DESCRIBED US DISAPPOINTMENT THAT CEASEFIRE WAS NOT BEING OBSERVED. HANOI HAD INFILTRATED MAN AND MATERIAL SO THAT IT WAS AT SAME STRENGTH AS AT START OF OFFENSIVE LAST MARCH. CAMBODIA CEASEFIRE OFFER HAD NOT BEEN ACCEPTED. CEASEFIRE WAS NOT BEING COMPLETELY IMPLEMENTED IN LAOS. IT IS, HOWEVER, ENCOURAGING THAT RUSSIA AND CHINA SEEMED TO BELIEVE IT NOT IN THEIR INTEREST TO CONTINUE WAR. IN SOUTH VIETNAM, POLAND AND HUNGARY WERE NOT COOPERATING IN ICCS. WE HAVE SPOKEN TO THEM ABOUT THIS. SHOOTING DOWN OF HELICOPTER WAS MOST UNFORTUNATE. WE FEEL NONETHELESS THAT ODDS ARE IN FAVOR OF CEASEFIRE. IT UNDERSTANDABLE THAT AT TIME OF CEASEFIRE IN PLACE EACH SIDE WOULD TRY IMPROVE ITS POSITIONS. INCIDENTS HAVE BEEN DECREASING. OF COURSE, ALL US TROOPS HAVE BEEN WITHDRAWN.

MRS. GANDHI REMARKED THAT LASTING PEACE WOULD MAKE A GREAT DIFFERENCE TO ASIA. DEPSEC SAID THAT WHILE WE HOPE FOR PEACE, RESPONSIBILITY FOR ACHIEVING IT RESTS WITH COUNTRIES OF AREA. WE HOPE IN SOUTH ASIA COUNTRIES SUCH AS INDIA, PAKISTAN, BANGLADESH AND IRAN CAN WORK OUT PEACEFUL RELATIONS.

AS DISCUSSION CONCLUDED MRS. GANDHI ASKED DEPSEC TO CONVEY HER WARM GREETING TO PRESIDENT NIXON.

COMMENT: MRS. GANDHI RECEIVED DEPUTY SECRETARY IN CO-
DIAL MANNER. WHILE NOT COMMENTING ON INTERNATIONAL ISSUES IN ANY DETAIL HERSELF, SHE INDICATED INTEREST IN DEPSEC'S VIEWS. SHE MADE NO MENTION OF ANY DIFFERENCES WITH US AND, IN FACT, WARMLY SUPPORTED EFFORTS TO IMPROVE RELATIONS. MRS. GANDHI TOOK INITIATIVE TO ASK ABOUT SITUATION IN SOUTHEAST ASIA BUT REFRAINED FROM ANY COMMENT ON US POLICIES THERE. MRS. GANDHI APPARENTLY LEFT SERIOUS EXCHANGE OF VIEWS ON FOREIGN POLICY QUESTIONS TO HER FOREIGN MINISTER AND MADE EFFORT TO HAVE CORDIAL CONVERSATION WITH DEPUTY SECRETARY. RUSH