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Authority E.O. 12958  
By 720 NARA Date 8/19/03

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A/ISS/IPS, Department of State  
E.O. 12958, as amended  
October 11, 2007

Tab A

August 1, 1973

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MEMORANDUM OF CONVERSATION

PARTICIPANTS: Y. B. Chavan, Finance Minister of India  
T. N. Kaul, Ambassador of India  
Henry A. Kissinger, Assistant to the President  
Harold H. Saunders, NSC Staff

DATE AND PLACE: 12:30 p.m. Wednesday, August 1, 1973, in  
Dr. Kissinger's Office

Kissinger: It is good to see you again, Mr. Minister.

Chavan: When I saw you last October, I had no idea I would be seeing you again so soon. But I had to come to Washington for these IMF meetings [the IMF Committee of 20 on international monetary reform].

Kissinger: How did your talks go?

Chavan: Well, I have not had too great expectations for the meetings. Within limits they have gone well. We hope to achieve something, but I am cautious. It is not desirable to raise unnecessary hopes.

Kissinger: You will meet again in Nairobi?

Chavan: The day before the annual meeting of the IMF we will get together there. There are some very important and very complicated issues still open.

Kissinger: Yes, we get a lecture every once-in-a-while from the Europeans. It is our fate.

How do you feel now about Indo-US relations?

Chavan: They are looking up. Your initiative to begin discussing the rupee question is a good one.

Kissinger: It is on the road.

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Chavan: Yes, it is on the road.

Kissinger: We have given Moynihan a reasonable position. Our economic agencies think it is unreasonable because they were overruled.

Chavan: There will be some problems that will need to be discussed. For instance, the period of time. We had always thought it would be desirable for political purposes to state a period within which the rupee question would be completely settled.

Kissinger: I do not want to get into details. We thought it would be better to fix a total amount of rupees for US retention than a time period.

Chavan: The period of time is also important. The amount of money you have suggested on the basis of the present level of expenditures would last about 25 years. That is a long time. It creates problems of political presentation.

Kissinger: We will look at it with sympathy.

Chavan: On the other hand, if there were a shorter period of time and if the amount of money you proposed were spent, then there would be inflationary pressures.

Kissinger: Then you are arguing for a shorter period of time and a smaller amount of money. I thought you were heading in that direction. [Laughter] We are basically oriented toward moving steadily in the direction of a settlement and improved relations.

Chavan: Please understand, I feel that your proposal is a very reasonable basis for starting negotiations. I simply wanted you to be aware, since we were talking about it, of some of the problems that would be discussed.

Kaul: If there is too long a period of time, the Indian public will have the impression that the US is striving for some sort of hegemony in India.

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Kissinger: Anyone who thinks that the US would achieve any kind of hegemony in India has not dealt with your Ambassador or with your government. I feel fortunate if I am getting a 50/50 break with your Ambassador.

Kaul: I am always more comfortable with 60/40.

Kissinger: When I think I am getting a 50/50 break, I am probably only getting 60/40. But I need the illusion of an even break. The Shah of Iran felt that the visit of Foreign Minister Singh to Tehran was very useful. Ambassador Kaul and I have periodically reviewed the situation. [To Kaul] We ought to do it again next week. Also, when we get through this present schedule of foreign visitors, I will arrange an appointment for you [the Ambassador] with the President.

Chavan: Yes, you have many visitors these weeks.

Kaul: What is the news on Pakistan? Did the Shah say anything about the India/Bangladesh proposal?

Kissinger: Proposal?

Kaul: The offer that India and Bangladesh made in April for the exchange of persons between Pakistan and Bangladesh.

Kissinger: The Shah did not mention it. He spoke firmly about not standing by if Pakistan is attacked. But he also said that he had told your Foreign Minister that there would be consultations between India and Iran before Iran made any irrevocable decisions.

We made clear that we are not intending any great arms programs for Pakistan. President Bhutto will not come here with any great illusions.

Chavan: That is wise. A buildup of arms will just increase defense expenditures which none of us in the area can afford.

Kissinger: We have no interest in a major program in Pakistan. We are not going to do stupid things as long as we are on a course of improving relations with you. We are not going to exacerbate the relationship.

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- Chavan: There do not seem to be major problems between us now. Things have started to improve. Things in the sub-continent will have to sort themselves out among Pakistan, India and Bangladesh. This is one complicated affair.
- Kissinger: If the prisoner problem were resolved [the return of Pakistani prisoners of war being held in India since the end of the December 1971 conflict], that would be greatly welcomed here.
- Chavan: If there were Pakistani recognition of Bangladesh, everything would fall into place. There is the difficult problem of the Bengalis in Pakistan, too.
- Kissinger: I have the impression that the Pakistanis would go along with some form of simultaneous recognition if there could be a release of the prisoners. If one could avoid trials of the prisoners, we could intercede for some such solution.
- Kaul: If there were recognition, then Bhutto could talk to Bangladesh after recognition about the prisoners. If there were agreement on the exchange of Bengalis and Biharis, then the question of the 195 prisoners being held for trial could be held over. When there is recognition, the Pakistanis and Bangladeshis could sort out the issue of trials.
- Kissinger: If you could make a most forthcoming proposal--if you wanted--we could present it to President Bhutto here when he comes. We are not asking for a proposal. But if you wanted to, we would be prepared to talk to Bhutto. We would be prepared to support a reasonable proposal. In any case, we will not put obstacles in the way. It seems important to find some formula.
- Mr. Minister, as long as you are here there is one thing I want you to take back with you. We have noticed that there is some criticism in the Indian press that we are stirring up sentiment in Bangladesh against India. This is absolutely untrue. We want the maximum stability in Bangladesh. Our interests are parallel to India's in this regard. We do not want Bangladesh to be a focal point for anti-Indian propaganda.

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Kissinger: If you find people in Bangladesh who are stirring up trouble against India, tell us and we will get them out if your charges are true. We will not tolerate anti-Indian activities in Bangladesh insofar as they are under our control.

Kaul: There is one case. It has to do with Sikkim rather than with Bangladesh. Peter Burleigh, one of your officers in Calcutta went to Sikkim. The Prime Minister asked me to raise this issue before I came.

Kissinger: [To Saunders] Will you look into this?

Saunders: [To Kaul] Are you referring to something new or to the issues that Ambassador Moynihan discussed with Foreign Minister Singh several months ago?

Kaul: Yes, when I was still in New Delhi before I came here.

Kissinger: We do not need to talk about it here. Saunders can look into it.

Before Moynihan went to New Delhi, I told him that he should deal with me directly and not through regular channels. As a result, I have more mail about India than about any other country.

Kaul: When I saw Pat [Moynihan] at Lake Placid [where Mrs. Gandhi had paid a one-day visit in June] he seemed under the impression that the Times of India was speaking as a government newspaper. I told Pat that this is not true. It is a free press in India. He must not read whatever he sees in the newspapers as officially inspired. The papers are often just as critical of the government as they are of you.

Do you expect Congressional problems on the rupees?

Saunders: We held informal consultations with the key committee chairman before we submitted a proposal to the Indian government, and we will have to inform them again when we are near agreement. Those in the Foreign Affairs and Foreign Relations Committees seem relatively well disposed toward the proposal, while those in the Agriculture Committees seemed hesitant or opposed. In any case, it is not necessary that the Congress vote on the proposal if the agreement is achieved along presently proposed lines.

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Kissinger: How are you doing with the wheat?

Kaul: I have had two meetings with Secretary Butz. He was helpful, although he said he could not help us to locate grain in the market. He told me that if the corn crop projections are good on August 9, there may be somewhat less pressure on wheat prices. We have bought almost 2 million tons now, but I have told our people to hold off now for a week or so to see if prices will fall. I have done that on the expectation that wheat exports will not be controlled.

Kissinger: I do not expect controls. Even if there were, we would deal with India's needs sympathetically.

Kaul: I am wondering whether we should continue to deal directly with the grain trading companies or whether we should have a broker.

Kissinger: [To Saunders] How did the Russians do it?

Saunders: I don't know.

Kaul: I asked Arthur Burns, and he told me that the Russians had used a broker. When I asked Ambassador Dobrynin, he said that they had dealt directly with the traders. We might try a broker for a few days.

Kissinger: Why don't you ask Secretary Butz?

Kaul: I did not want to put him on the spot. He had a number of people in the room when I saw him.

Kissinger: [To Saunders] Call Secretary Butz and ask what we would recommend and, if we would recommend a broker, who might be a good one. [To Kaul] I do not want to give you an answer, because I would only mislead you.

Kaul: Butz was very helpful in our second meeting.

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Kissinger: He was told to be helpful. Of course, that is not always a guarantee.

When are you going back to India, Mr. Minister?

Chavan: This afternoon. Our parliament is sitting, so I have to go back.

Kissinger: Is your Foreign Minister coming?

Chavan: He is arriving in New York very shortly on his way to Ottawa to the Commonwealth meeting.

Kaul: Yes, I will be going to New York to see him.

Kissinger: Will he be coming to the UN, too?

Kaul: Yes.

Kissinger: Maybe I will be able to see him then.

Harold H. Saunders

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