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		CINCPAC FOR POLAD	
		E.O. 11652: GDS	
		TAGS: PFOR, IN, BG	
		SUBJECT: India and Its Smaller Neighbors	
		BEGIN SUMMARY: The 1971 India-Pakistan War heightened suspicion of India among its more important smaller neighbors--Nepal and Sri Lanka. It also added a new member--Bangladesh--to this group.	

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While India is trying to reassure these countries by being extremely correct and even generous in its official dealings with them, it cannot deny either its overwhelming greater strength or its natural involvement in their affairs. It does not want to incorporate them into India, but it feels its security interests require that they should remain stable and free from Chinese control. It prefers to use the carrot rather than the stick to achieve this objective. But it has intervened forcefully in the affairs of certain of its neighbors in the past and all of them are painfully aware of this. So long as Indian tactics are non-interventionist, they are consonant with US policy. Nevertheless, the closeness of the countries, specific Indian security considerations, its self-image as the dominant power in the area, domestic Indian political pressures, bureaucratic differences within the GOI, and downright inefficiency together will continue to create tensions between India and its smaller neighbors. END SUMMARY.

1. Indian Involvement: Given the close ties between India and most of its smaller, independently minded neighbors, friction is almost inevitable. All have in common a background of participation in the history of the geographic region now dominated by India. Present-day links vary but are close. Nepal is landlocked with its only economic access to the rest of the world across India. Most of its trade is with India. Both it and Bangladesh have long ~~side~~-like borders with India. The evolving ties between India and Bangladesh reflect India's key role in the

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"liberation" of Bangladesh and its post-war assistance to the new country. Various forms of Indian aid already spent or programmed total about \$330 million; trade relations are being developed; and Bengalis on both sides of the border share a common cultural heritage. In the case of Sri Lanka, the overwhelming factor is the disaffected Tamil minority with its racial and possible political links to the Tamils in India. Trade is not at present a factor, but negotiations are underway to expand it, under state direction. Bhutan and Burma are exceptions. The common border between India and Burma lies at the extremity of India's most isolated region, and since 1961 Burma has consciously restricted contact with other countries, including India. Bhutan has the potential for becoming another Nepal, but to date the low levels of economic and political development in Bhutan and its international isolation have prevented this.

2. Historic Relationships: India has already involved itself in these countries. Although on occasion (e.g., in Ceylon in 1971) this was on behalf of the established government, the tendency is to remember instances when India supported intervention--in the early 1960's when the Nepali Congress Party mounted raids into Nepal from India, in 1971 when India supported the Bangladesh "liberation" effort, and in 1973 when it tightened its grip on its protectorate, Sikkim. The largest and most important of these smaller neighbors--Bangladesh--

Nevertheless, in the context of this overall "correct" relationship, there are instances when India feels constrained to lean on its neighbors. Such pressure has been and is still more likely to fall on Nepal than the other small neighbors, because of the extreme closeness of the physical, economic and historic relationship. India has always been concerned about Chinese aid projects in the portion of Nepal bordering India. It objected to the Chinese cotton-growing experiment there and either has or probably will object to the proposed Chinese-assisted textile mill. Although generally accommodating on the aid and trade side recently, India has pressed Nepal (unsuccessfully) to agree to joint industrial ventures, planning coordination, and food grain sales by the Nepalese Government to India. Finally, India applied the screws to involve the King to a greater extent in Mrs. Gandhi's visit to Nepal.

4. Determining Factors: (a) Security: India's main interest in its smaller neighbors is security against China. This is particularly true in the case of Nepal, Bangladesh, Bhutan and Sikkim, any of which would provide China with strategic access to the southern side of the Himalayas. The island of Sri Lanka, on the other hand, is less of a problem, and India has historically been willing to tolerate a higher level of Chinese involvement there, where Chinese access is at the end of a long sea route, than in the north.

5. Security against China requires (a) reasonable stable governments

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which (b) are not anti-India. (Stable governments are also important in Nepal, Bangladesh, and Bhutan because conflict there could easily spill across the open border into similar areas of India.) India prefers democratic governments such as those in Bangladesh and Sri Lanka, in part because it considers them less likely to be anti-India. It is also satisfied with the monarchy in Bhutan because it appears stable and friendly for the time being. It has doubts about the long-run chances of survival of the monarchy in Nepal, however, and about the stability of the governments in Bangladesh and Sri Lanka. It is basically satisfied none of these governments is now repeat now pursuing an anti-Indian policy (although there is abundant anti-Indian feeling in each country). Much of Indian policy toward them is intended to serve the dual objective of keeping them from becoming anti-Indian while helping to maintain at least short-term stability. Economic aid to Bangladesh and Nepal, for example, is intended to keep them friendly as well as to help to prevent the economic problems of those countries from getting to the point where they would threaten order.

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~~XXXXXXXXXX but where they would threaten order~~

6. While preferring to achieve its objectives by its present approach, India has not ruled out intervention. It allows dissident Nepali Congress Party leaders to live in India in part, probably, because it sees some use for them if the monarchy ultimately collapses. In Sri Lanka in 1971 it helped the government against the insurgents, as did the United States, the Soviet Union, and Pakistan. Indian officials claim they would do so again if asked. In 1973 India intervened when the situation got out of hand in Sikkim, which in any case had never achieved the level of independence of the other Himalayan states, under either the British or India. Beyond these instances, however, Indian action will probably depend on circumstances, such as the degree of threat and the likelihood of wider involvement. India would probably help Bangladesh, at the latter's request, to subdue a revolt in one district. A more widespread uprising, election of an anti-Indian government or a broad breakdown of governmental organization and order, would present difficult choices, ^{about} which the GOI prefers not to think ~~about~~ right now and about which almost no Indians appear to have clearly defined ideas.

7. (b) India's Self Image: Talk of India's dominant position in the area raises the hackles of its smaller neighbors. India recognizes this and protests it is not a power. But it cannot deny the fact of its

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dominance, and it expects its smaller neighbors to recognize if not acknowledge it. One still hears occasional talk of possible "encirclement" of India by its smaller neighbors, supported by the United States. American assistance to these countries thus produces an ambivalent Indian reaction. India recognizes these countries need the assistance, but it also recalls that in at least one of these countries (Nepal) the United States no longer sees its interests as derivative of its interests in India.

8. (c) Domestic Political Pressures: The linkages between India and her smaller neighbors have created groups within India with a special interest in Indian relations with these countries. They articulate these interests through the Indian domestic political process. Thus, Indian Congress Party members from areas bordering Nepal press for Indian support for the ~~fraternal~~ Nepali Congress against the monarchy. Indian businessmen trading with Nepal lobby in India for their own interests. Some West Bengalis and ^{other} Indian businessmen have both real and sentimental interests in re-establishing the semi-colonial pre-1947 relationship between Calcutta and its natural economic and cultural hinterland--now Bangladesh. Finally, the regional party ruling the South Indian state of Tamil Nadu supports the cause of the Tamils in Sri Lanka. The GOI appears to be successfully resisting these pressures at present. Mrs. Gandhi stands aloof from the Nepali Congress, and

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the GOI doesn't lend official support even if it deliberately or inadvertently fails to catch Nepali Congress perpetrators of last year's armed attack and the recent hijacking. The GOI also severely restricts other travel of West Bengalis and Indian businessmen to Bangladesh in order to prevent charges that they are trying to re-establish domination over the area. It does not support the Tamil autonomist/separatist movement in Sri Lanka. Pressure on the GOI to change these policies may become more insistent, however, if the clash of central and state interests becomes sharper (e.g., if Bangladesh remains adamant against diversion of the Ganges at the Farakka barrage to flush out the port of Calcutta) or in the competition for votes at election time

9. (d) Bureaucratic Differences and Inefficiencies: The "correct" posture represents the position of the Foreign Ministry. On important issues it is usually able to impose its view on other ministries. But given their proximity and the depth of their involvement with India, its smaller neighbors often find themselves dealing directly with other ministries, or even with state governments. Here parochial interests come into play and tend to undermine the good intentions of the Foreign Ministry. Thus, the Commerce Ministry may take a tough line with Bangladesh about settlement of its trade balances; Sri Lanka finds customs and/or trade officials turning away bottled imports from Sri Lanka because the import content in the bottle caps is higher than the

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agreed limit; Nepal has a long list of complaints about the customs, excise and state trading authorities. One suspects the Indian bureaucrats in these other ministries also are not always as considerate of the sensibilities of these smaller countries as their Foreign Ministry counterparts. All of this grates on proud officials of Nepal, Bangladesh and Sri Lanka.

10. Prospects and US Interests: The official Indian policy is consonant with our interest in having a South Asia of stable, independent states where no outside power has an exclusive position. We should recognize that there will continue to be instances when, as a result of pressures on and forces at play within the GOI, India sends its neighbors signals at variance with the official GOI position. India's relations with her smaller neighbors will continue to be marked by periodic flare-ups, particularly we believe in the case of relations with Nepal and Bangladesh. All the smaller neighbors suspect India really wants hegemony ^{and in fact may} ~~and in fact may~~ *and in fact may.* They react by trying to maintain close relations with world powers. While we can argue that such relations help India by reducing the super-sensitivity and increasing the economic viability of its neighbors, they also decrease Indian leverage over these countries. This is an ambiguity we must live with. We have made clear that we are not going to give India a veto over our relations with these countries. The most we can do is to try to avoid creating unnecessary suspicions and to set the Indians straight swiftly

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and frankly if they begin acting as though we are poaching on their turf.

11. The big question is Bangladesh, which could turn rabidly anti-Indian. This will be depicted as the result of American or Sino-American intervention. We have already raised this point at the highest levels of the Indian Government, saying don't let it get started, but I personally question whether any policy or conduct on our part will significantly effect the outcome, whatever that turns out to be. Some destinies are just that: destined.

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