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United States Department of State

Washington, D. C. 20520

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24 MAY 1986

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INFORMATION MEMORANDUM

S/S

HP/24

TO: P - Mr. Armacost

FROM: NEA - Richard W. Murphy

SUBJECT: Where We Stand in Our Relationship with India

JUN 1986
M.H.A.
HAS SEEN

CR
Setup mtg this week
write Dick (and
Bob Beck, Mont,
Dick Brown
on his own
next steps,
RW

DOS REVIEWED 17-Apr-2007: DECLASSIFIED IN FULL

After nearly one year, the marked improvement in Indo-U.S. relations that followed Rajiv's visit last June shows signs of stagnation, or even deterioration. Both sides would probably agree that the relationship has gone further than anyone had predicted, but expectations have also risen -- perhaps to unreasonable levels on the Indian side.

This stagnation has several causes:

-- India-Pakistan relations are on a down swing; we are blamed for not putting enough pressure on Pakistan to halt its covert nuclear program and to cease its alleged support for Sikh terrorists.

-- Indian expectations about the Memorandum of Understanding are unrealistic. We have provided some important items, but there are still long delays on both commerce and munitions cases.

-- There is now widespread domestic criticism of some of Rajiv's domestic and foreign policy initiatives, and the charge is frequently heard that his opening to the U.S. has not produced results.

On our part, we are more than unhappy with some of India's public statements (especially at the NAM Summit) their continued (though less confrontational) opposition to inclusion of services in the GATT new round, and their inaction on some bilateral issues (e.g. the rupee fund and almonds). However, we do note that one impediment (Bali Ram Bhagat) has been removed, and Rajiv remains committed to pushing the relationship as far as it can go.

Post-visit accomplishments

Tab A lists actions we have taken on the checklist produced following Rajiv's visit. With the exception of the recommendation for establishment of a separate system for processing high technology cases quickly, we have accomplished

SECRET
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SECRET

-2-

the tasks we set for ourselves at the time. We have made substantial progress in establishing a dialogue on issues of interest to us, in developing contact with the Indian military and in expanding commercial ties. Our judgment is that all of these steps have significantly contributed to our strategic objectives: developing a more coherent regional South Asian policy and building a more substantive Indo-US relationship which will balance Indo-Soviet ties and induce greater balance in Indian foreign policy.

Initiatives to Reestablish Momentum

The following are actions we can take to followup on what we have done over the past year in an effort to reestablish the post-visit momentum:

1. High technology: Rajiv continues to view high technology as crucial to the relationship, and it is an area where we have a strong advantage over the Soviet Union and a marginal advantage over Western European and Japanese competition.

a. Processing of Cases: Under Secretary Schneider has asked PM to organize and manage, at the Deputy Assistant Secretary level, an inter-agency committee to address the backlog of India cases. If this committee cannot reach consensus within 30 days, it will refer cases to the ATMG or the SIG TT as appropriate; failure to agree at that level will require elevation to the NSC level or to the Secretaries of State, Defense and Commerce, as appropriate.

b. Supercomputer: This continues to be the most important outstanding technology transfer issue with India, to which Rajiv personally attaches great importance and which has high visibility with the Indian public. We have a draft safeguards regime on which we are proposing opening negotiations with the Japanese June 9. The problem will be to contain increasing Indian impatience while negotiations with the Japanese are underway. We cannot, however, negotiate safeguards with both of them at the same time.

c. Light Combat Aircraft: The GOI wishes to have US companies collaborate on specific aspects of its light combat aircraft (LCA) project. Although the project as a whole faces serious difficulty, it is important that we be seen as forthcoming to the extent consistent with our own technology diversion concerns. The report of the DOD Mission Areas Team, which includes a section on the LCA, is scheduled to be completed May 23 and transmitted to the GOI the following week.

SECRET

SECRET

-3-

2. High level dialogue:

a. Visits: DOD is tentatively planning a visit by SecDef. Weinberger in late September. This can provide a useful focus for getting positive decisions on issues related to India between now and September and, if the visit goes well, could help change attitudes in DOD. (Rajiv is still Minister of Defense, and the number two in MOD is Arun Singh. We hope to find a pretext for Arun Singh to visit the US but cannot schedule such a visit too close to Weinberger's visit to India.) The next logical step in the exchange of visits would be a visit by the President in early 1987.

S visit?

b. Correspondence: The President and Rajiv have carried on an active correspondence on regional and global issues, including a separate set of letters on disarmament issues. It is our turn in the dialogue, and the NSC is working on a draft we submitted some time ago. At some point we should include reassuring words on the purpose of our security assistance to Pakistan.

3. Out of Area Discussions: India will continue to be influential in multilateral meetings and may find it easier to take moderate positions after it gives up the NAM chairmanship. We should engage the GOI systematically on issues such as Southern Africa, the Middle East, Southeast Asia, etc. This can probably best be done through visits by Assistant Secretaries or Deputy Assistant Secretaries for discussions at the Additional/Joint Secretary level in the Ministry of External Affairs.

Get my counterpart over.

4. Public Statements and Diplomacy: Part of the problem in India is that public perception of Indo-US relations has lagged behind reality and easily reverts to earlier patterns. S/P will work on an authoritative statement of our policy towards South Asia which could be the basis for a major speech, and will also make recommendations concerning a more assertive public diplomacy effort in the region.

Good idea what do we peg it to?

5. AID and Science and Technology: We are transforming our AID program in India into one focussed on Science and Technology, with \$37 million, or probably over half the program, scheduled to be devoted to projects in that field in 1987. We need to give greater prominence to this transformation.

Pitfalls Ahead

Over the next year, the new aid package for Pakistan, the accompanying debate in the US over the Pakistani nuclear program, and specific arms sales (e.g. copperhead) will provide

SECRET

SECRET

-4-

an occasion for Rajiv's critics to attack him for his efforts to improve relations with the United States and with Pakistan. So far, Rajiv's criticism of us on the Pakistan arms sales issue has been relatively muted. To the extent we make progress on issues of interest to him and/or reassure him on Pakistan-related issues, we will help preempt the Indian reaction which we could otherwise expect, to the benefit of both Indo-US and Indo-Pakistan relations.

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