

DEPARTMENT OF STATE

Memorandum of Conversation

DATE: August 2, 1974

SUBJECT: Review of Indo-American Relations

PARTICIPANTS: The Secretary
 Kewal Singh, Secretary of External Affairs
 Government of India
 The Honorable Triloki Nath Kaul, Embassy of India
 Mr. G. V. Ramakrishna, Economic Minister, Embassy
 of India
 Mr. J.S. Teja, Chief of America's Division of the
 Ministry of External Affairs
 Mr. Alfred L. Atherton, Jr., Assistant Secretary
 for Near Eastern and South Asian Affairs
 Mr. Robert B. Morley - NEA/INS

Date/Time/Place: August 2, 1974, 11:00 a.m., Secretary's Office

Distribution:

Mr. Singh: Good day, Mr. Secretary. It is very kind of you to receive us.

Secretary: It is a pleasure to see you. Do you mind if I rest my foot on the table? I had an ingrown toenail cut out and it is still painful. It feels better if I put it up.

Mr. Singh: Not at all. I hope it is not phlebitis.

Secretary: No. There are no heads of Government here. Would you like coffee or tea?

Mr. Singh: Tea. May I say that our Foreign Minister asked me to convey his warm personal regards, and to tell you how deeply he admires your efforts on detente. He also mentioned we are aware of the difference your personal and real interest has made in our relations. He looks forward to your visit. We would be very disappointed if you did not come.

R
 NEA/INS:RB Morley
 (Drafting Office and Officer)

FORM DS-1254
 2-65


 XGDSZ

Secretary: Is Pat back there now?

Mr. Atherton: Yes.

Secretary: I told Pat there is an unsettled situation here, as you know. I may have some problems on the timing of the visit. I will know in two weeks. If it has to be deferred, we will announce a firm date to the press, to remove any implication of constant delay.

Mr. Singh: This would help.

Secretary: Any delay would have nothing to do with foreign policy. It is simply a matter of whether I can get away. It is a matter of my schedule here in Washington.

Mr. Singh: And what can we tell the press?

Secretary: We can repeat that I fully desire to go and that the dates are being finalized.

Ambassador Kaul: You know, the Foreign Minister has made favorable statements about you in Parliament. He has mentioned you in Parliament. I will send copies to you.

Secretary: Really? I have not seen them. Have you, Roy?

Mr. Atherton: No sir, although I think there was something about statements by the Foreign Minister recently.

Secretary: You know, the press people say that the Department is in league against me. They never let me see anything good about me. But when they protest about favorable press comments, this is too much.

Mr. Singh: We look forward to happy relations between our two countries. The present trend is a very good one.

Secretary: I hope so also.

Mr. Singh: I hope we can strengthen this, through the Joint Commission. The agreement should be finalized during your visit.

Ambassador Kaul: As far as I know, there is only one problem of a substantive nature. We believe that each side should bear all of the expenses of any meetings held on its territory. Your people have not accepted this position.

Secretary: Are you aware of this, Roy?

~~SECRET~~

Mr. Atherton: I am aware of the problem, but don't know what the difficulty is on our side. It may be a problem with the GAO.

Secretary: Their position makes sense. Would you check to see where the problem is? If it is with OMB, they can be overridden. If it is with the GAO, that is another matter. It shouldn't be a problem, it shouldn't cost us any more. We should go along with the Indian proposal unless there is some legal objection.

Mr. Singh: Mr. Secretary. We appreciate your continuing interest in Indian affairs, and your willingness to help our Ambassador here. I understand you have been in the Indian Embassy more than all others put together.

Secretary: I appreciate the opportunity to receive my good friend Tikki. He is doing a good job. He is a man of his word and dedicated.

Mr. Singh: We are impressed with his sincere and hard work.

Secretary: His job is more difficult these days. There is more criticism in the press of India.

Mr. Singh: Mr. Secretary, before coming here, I went to Canada. During my conversations there, we touched on all subjects. We spoke about nuclear matters, and India's peaceful nuclear explosion. We listened to them. They maintained there was no distinction between peaceful nuclear explosions and other types of explosions. We said the concept was an international one, and gave them assurances our intentions were peaceful. We have not gone back on our word. We wish to strengthen our relations with Canada. However, one of your remarks, Mr. Secretary, gave us a problem. You said at one time that U.S. safeguards are better than Canadian safeguards.

Secretary: That is true.

Mr. Singh: We made it clear that this was one area where pressurization would not help them. We have internal pressures. Mr. Secretary, on most things we have agreement. On this I hope so too. Perhaps on your visit we can reach agreement on this.

Secretary: Can I ask a question?

Mr. Singh: Of course.

Secretary: I don't believe in recriminations about past events. But I have wondered about the following. Intellectually, a peaceful nuclear explosion has a different meaning and significance for a developing country than it has for an advanced country.

Mr. Singh: Yes?

Secretary: For example, we can establish criteria with which we can control the nature of a peaceful nuclear explosion with precision. In the case of a developing country, one in the early stages of nuclear explosion technology, it is not possible to differentiate with this kind of precision. For a developing country, any nuclear explosion can be either peaceful or otherwise. I am just making a point here. Do you think it would be useful to have a very private discussion on means of preventing the further spread of nuclear technology beyond India? Whatever happened is past, but it is clearly in our mutual interest to do this. India clearly is militarily predominant now. But there is a curious thing about nuclear weapons. It is easy to equalize the situation if the other side develops nuclear weapons. We wish to develop a general proliferation strategy. In fact, we are having a meeting on this this afternoon. In our discussions with other countries on this, India would be treated as a nuclear power.

Mr. Singh: I think you have made a fair statement, and I can answer thusly. We would be happy to have an exchange of views.

Secretary: We have no proposals to make at this time. We are still studying the matter.

Ambassador Kaul: One note of caution. We do not like discrimination. Discrimination like the IDA bill brings bad results.

Secretary: I am totally opposed to such discrimination. You have read my testimony. I assume you are speaking of the Long Amendment? Where is that, Roy? Is it law yet?

Mr. Atherton: It has gone to the White House for signature.

Secretary: I am opposed to such discrimination. I don't like what you did, but want no discrimination. It is not our policy to discriminate. On the Long Amendment, the Administration is opposed. We are not interested in seeing it implemented with concrete results. The amendment instructs the US delegate to vote against funds to India. But this vote can be overridden. We will not lobby against India within IDA. It is Administration strategy to get the discrimination against India taken out in

the Foreign Aid bill. Roy, Please make sure Holton and others know our views on this.

Mr. Singh: One point came up in Canada. They suggested that we should go in for nuclear power without peaceful nuclear explosives. Don't make this suggestion. On non-proliferation we are firm. Your suggestions would be welcome. But please, no pressurization.

Secretary: There is no pressure.

Ambassador Kaul: This is one item.

Secretary: Oh, yes.

Mr. Singh: There are other things our Prime Minister wants. IDA is one. Debt rescheduling is another.

Secretary: I understand the World Bank is coming up with a compromise formula.

Ambassador Kaul: It is a matter of \$29 million vs \$64 million. You have offered \$29 million. We wish an increase in the U.S. share. Otherwise the whole matter of debt rescheduling is held up. Other countries are waiting to see what the United States does.

Secretary: I would support an increase.

Ambassador Kaul: It would have to be at least \$45-50 million. It would have to be at least this to affect decisions in such countries as the UK, Canada, Italy and Japan.

Secretary: I am seeing Secretary Simon tomorrow. I will raise this with him and let you know Monday if there is any change in our position.

Mr. Singh: Then there is a recent problem with the Export Import Bank. Some loans have been turned down recently. A tire factory, I think, and some others.

Secretary: Roy, do you know about this?

Mr. Atherton: No sir, but I can find out.

Secretary: Please find out what the problem is and see if there is anything we can do.

Mr. Singh: Let me mention the internal economic scene now. We are in the midst of an energy crisis. We expect to spend 40% of our foreign currency allocated for imports on oil this year. If you add food and fertilizer, the figure is nearly 80%. Internally, the price of gasoline is \$2 a gallon. This has affected agriculture very much. I wanted to mention this. We are having enormous difficulties. We are overhauling our priorities. Any understanding, there has been some, we appreciate. For the future, we are seeking oil deposits in our own country. We are undertaking offshore exploration. U.S. firms are involved, too, I believe. Bear in mind these matters. Our people cherish democracy. But we have problems and difficulties. You have a deep interest in India. Please consider our requirements for food, fertilizer and oil.

Secretary: When we set up the Joint Commission, we will have a systematic way to deal with these problems. In my speech at the UN, I recognized the problem and said we would help. Now decisions have to be made on allocations by various agencies. India will have special consideration. However, we have had drought and floods in this country which may make things more difficult than we thought.

Ambassador Kaul: I understand there has been some rain and that prices are already down a bit. I talked to Secretary Simon. Food prospects are good here. We also have problems with fertilizer. We can't buy what we need. On both fronts we need help.

Mr. Atherton: It is a matter of strict allocation of available supplies of fertilizer. The Foreign Secretary may be interested in knowing that, in our new bilateral cooperation efforts with the Saudis, we are giving priority to their desire to expand their fertilizer production. This will increase the amount available on the world market.

Ambassador Kaul: We are doing this too, but it will take several years. We need help now.

Mr. Singh: Mr. Secretary, this matter is already in your mind. Please keep it there. We have problems. Our terms of trade are not good. The trend is against India. Prices of needed imports are up drastically.

Secretary: I agree India is one of those most seriously affected by the higher cost of oil and other products. India's export prices are not up.

Ambassador Kaul: We cannot raise the price of something like tea very much.

Secretary: We have undertaken a serious study of the dislocation caused by increases in oil prices. We want a solution to this problem, but don't want a confrontation with the producing countries. However, we have to help the consuming countries. If there is no solution, the results will be disastrous.

Ambassador Kaul: We have suggested a two or three tier price system for developing countries.

Secretary: This would make a negligible contribution.

Mr. Singh: Even credits do not help.

Secretary: This simply compounds the problem in the future.

Mr. Singh: We are trying to find oil in India. If we could get drilling platforms and drilling rigs it would help. But we have to wait so long for delivery. Perhaps the State Department could help us on this.

Secretary: Give us the names of the firms you have contacted and we shall see what we can do. Roy, Bill Clements ought to be able to help on this.

Mr. Atherton: Yes, sir.

Mr. Singh: Let me tell you of the situation on the subcontinent. Since the Simla agreement, we have tried to build up trust with our neighbors. Our policies on POW's, movement of people and telecommunications, for instance, demonstrate this. We want to give the people confidence we are moving ahead on problems. But our relations with Pakistan are still not good. We had hoped that Bhutto's talks in Bangladesh would help. But lately, the comments we hear from Pakistan, from Bhutto and in the press, are not good. Bhutto is not helpful. Our people have not said anything about the internal affairs of Pakistan. We have assured them about troops and troop movements. We are disturbed about comments in the press and by officials in Pakistan about India. We believe this creates hostility and ill will. People get worked up. Clashes might start. This would be crazy. The Pakistanis have encouraged problems along the Afghanistan border with arms and talk. We have appealed to Pakistan. We said we want peace and trust, we want to build up your trust. We believe this can happen if we go slowly, one step at a time. I am telling you this because I know of your deep interest in the subcontinent.

The Secretary: I remember after your nuclear explosion, Bhutto asked us to contact you and tell you he wanted to continue the Simla process. You responded.

Ambassador Kaul: We have given a guarantee on the peaceful nuclear explosion. Bhutto has internal problems. India is his boogy. Some advice from you might help.

Mr. Singh: We are earnestly and sincerely willing to seek a solution to our problems with Pakistan. Apart from that, to show the direction of our Prime Minister's thinking, we have solved an old border problem with Sri Lanka. It was an old problem dating back to the days of the British. It was an emotional problem for the people of Madras. But we settled it. Some islands between the two countries were involved.

Secretary: Were they populated?

Mr. Singh: No, but some of our Christian fisherman go there every year to worship. The DMK party in Madras was furious about it.

Secretary: Which party?

Mr. Singh: The DMK Party. They are a State party. They were furious about it. For three hundred years this was Madras territory. But the Prime Minister is determined to solve all problems. The problem of the Bangladesh border, 1700 miles of enclaves and uncertain boundaries, was settled. Our relations with Nepal, Bhutan, Iran and Sikkim are all improved. The Prime Minister is dedicated to building up good relations with our neighbors. Your understanding will be helpful on these matters. Mr. Secretary, we are grateful to you for giving us your time today.

Secretary: Please convey my warm regards to your Prime Minister. Tell her improved relations between us will have a high priority with me. I am looking forward to my trip to India, and should be able to give you a final answer on that in two weeks, Tikki.

Ambassador Kaul: There is also the question of debt rescheduling.

Secretary: I shall have that answer for you next week. Mr. Singh, it was very nice to see you. I hope to see you again in India. Tikki, good to see you again.

Clearances: NEA - Mr. Laingen____
 NEA - Mr. Atherton____