

SIG MEETING ON GANDHI VISIT FOLLOW-UP
THURSDAY, JUNE 20, 1985, 4:00 PM

PARTICIPANTS

STATE

Under Secretary Armacost, Chairing
Robert A. Peck, NEA
Ted McNamara, PM
Steve Blodgett, NEA (Notetaker)

OTHER AGENCIES

NSC	Jock Covey
	Shirin Tahir-Kheli
ACDA	David Emery
USDA	Daniel Amstutz
AID	Eugene Staples
CIA	Robert Gates
Commerce	Joe Dennin
	Bill Archey
Defense	Rich Armitage
HHS	Linda Vogel
JCS	LT GEN H.O. Thompson
OMB	Phil DuSault
Treasury	Charles Schotta
USIA	James Thurber
USTR	Peter Murphy
Eximbank	William H. Draper



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Senior Interagency Group No.

PARTICIPANTS: See List Attached

DATE AND TIME: Thursday, June 20, 1985, 4:00 p.m.

PLACE: Operations Center Conference Room,
No. 7516 N.S.

SUBJECT: SIG Meeting on Follow-up to the Visit of
Indian Prime Minister Gandhi, June 20

SUMMARY OF CONCLUSIONS

Under Secretary Armacost opened the meeting with a brief overview of the official visit of Prime Minister Rajiv Gandhi June 11-15. The general tone and atmospherics were exceptionally good; according to initial reports, Gandhi himself appears to have been very pleased with the personal rapport established with the President and other USG leaders. Among some of the concrete results were: a serious discussion on SDI, and an opening for further dialogue on arms control; Gandhi's agreement to move ahead with non-nuclear-end-use assurances; extension of the Science and Technology Initiative; a good discussion of the potential for arms sales; the possibility of a more active Indian role on Afghanistan; Gandhi's agreement to expedite review of the Binational Rupee Fund; and others.

SIG participants then discussed the outcome of the visit, and the need for follow-up action, in each of the broad substantive areas:

POLITICAL/STRATEGIC

It was agreed that we should follow up on India's apparent willingness to play a more active role on Afghanistan. It is not yet clear how serious the Indians are, but Gandhi's swift action in sending Foreign Secretary Bhandari to Moscow may be taken as a positive sign.

Participants agreed that it would be in the USG interest to develop a mechanism for systematic dialogue with the Indians on various security issues, including the Geneva arms talks, SDI, nuclear non-proliferation, and bilateral arms sales. Our arrangement with the Chinese could serve as a model.

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Action:

- (1) Brief the Indians on the U.S.-Soviet talks on Afghanistan; obtain feedback on any Gandhi-Gorbachev communication; consult with New Delhi following the next round of U.N. (Cordovez) negotiations in Afghanistan; and ensure that the Paks also brief the Indians. (State)
- (2) Develop a proposal for a more regular dialogue with the GOI on arms control, non-proliferation, and arms sales. (ACDA)

MILITARY COOPERATION

DOD described Secretary Weinberger's meetings with Gandhi and Defense Minister Rao. The two sides were in agreement that development of an arms sales relationship would be a step-by-step, confidence-building process. The next step will be a return visit by Indian Defense Secretary (and Science Advisor) Arunachalam for more in-depth discussion of specific sales. In addition, there was agreement in principle to an exchange of visits by Secretary Weinberger and Defense Minister Rao, exact timing to be worked out.

Action:

- (3) Plan for a visit by GOI Defense Secretary Arunachalam in the near future, followed by visits at the Ministerial level at times to be determined. (DOD)

TRADE/ECONOMIC

In his meeting with Secretary Baldrige, Gandhi indicated that movement on the no-nuclear-end-use assurance language would be the first item of business on his return to New Delhi. This will allow full implementation of streamlined USG export license procedures in line with the Technology Transfer MOU. After coordinating with NSC, USDOC told Gandhi that export license cases for India would be handled "expeditiously" and that India would be treated "similar to a free world country." However, the exact form of a streamlined system for India has yet to be determined. In his meeting with Gandhi, Secretary Baldrige laid down a marker about our continued concern over the issue of diversion; to which Gandhi replied, "You do not have to worry. We will have a tight clamp on that."

In this connection, USDOC expressed serious concern that other COCOM exporters are taking advantage of the Indo-U.S. MOU, and USG no-nuclear-end-use conditions, to gain a

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competitive advantage in advanced technology sales. Already exporters from other COCOM nations are using their own more liberal export policies as a major selling point. Norsk Data is taking full advantage of this factor in pursuing a \$600 million minicomputer contract. The U.S. share of India's computer market has fallen from 90% to 68% and could fall even farther. It was agreed that we should get together with our COCOM partners to pursue a consistent policy with respect to India and other markets.

USDOC described Gandhi-Baldrige exchanges on pending U.S. bids for major contracts in India, including those by Control Data (computers), Harris (minicomputers), G.E. (gas turbines) and Boeing (aircraft). Prospects for success in winning the Control Data contract are not promising. According to the Indians, Honeywell-Bull has offered an additional technology package which would supposedly give India the capability to produce supercomputers (this report should be treated with caution). In any event, the Indians are aware of our readiness to provide an enhanced financing package, and it does not appear that financing is an issue at this point.

Agriculture provided a readout of Gandhi's meeting with Secretary Block. Prospects are favorable for continued cooperation in the agricultural field. But the Indians seemed lukewarm on the idea of a Binational Rupee Fund.

At Treasury, Deputy Secretary Darman met with the Prime Minister's economic advisor, L. K. Jha. There was much discussion about India's desire for continued access to MDB financing, but the specific question of ADB levels did not come up. It appears likely that a Treasury team, at a level to be determined, will plan on visiting New Delhi for detailed talks on India's economic plans and prospects, with a view to further defusing the issue of Indian access to MDBs.

USTR expressed some encouragement at signs that the Indians seem to be taking a genuine look at the proposal for a GATT New Round. There was no apparent movement, however, in the Indian position at the recent Stockholm meeting. Given the relatively modest role played by external trade in India's GNP, and the perception that India has little to gain from the GATT New Round, India might be inclined to look at this issue in political, rather than economic terms.

Action:

- (4) NSC, Commerce, Defense, and State will meet in the near future to determine the form of streamlined export

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- licensing procedures, in line with the Technology Transfer MOU, to be implemented immediately upon receipt of no-nuclear-end-use assurances from the GOI. (NSC lead)
- (5) Coordinate with COCOM to bring greater consistency into our export control policies with respect to India. (State lead)
 - (6) Work with the Control Data Corporation to take maximum advantage of GOI willingness to review the CDC-Honeywell Bull contract. Be prepared to offer an enhanced (mixed credit) financing package in support of CDC, if necessary and sufficient to win the contract. (USDOC lead, with Eximbank and AID)
 - (7) Plan for a return visit by Indian Vice Chancellors of agricultural universities to their U.S. counterparts, to discuss further collaboration in the agricultural field, including possible cooperation in third countries. (AID lead, with USDA)
 - (8) Pursue with the GOI the Stockholm proposal for a two-track approach in moving ahead with the GATT New Round. (USTR)
 - (9) Prepare an analysis of benefits that could accrue to India from a GATT New Round, for use in discussions with the GOI. (CIA with USTR and State)
 - (10) Plan for a visit to New Delhi for in-depth discussions on India's economic plans and prospects, with a view to further defusing the issue of Indian access to MDBs. (Treasury lead, with State)
 - (11) Plan for trade missions in oil and natural gas (tentatively, fall of 1985) and telecommunications (tentatively, March-April 1986); and determine how best to respond to Gandhi's interest in imports of U.S. equipment for the railway industry. (USDOC)
 - (12) Work with TDP on the idea of a demonstration project in telecommunications for selected Indian cities. (USDOC)
 - (13) Examine the desirability of possible USG involvement in the high-level Trade Development Committee being formed under the auspices of the Indo-U.S. Joint Business Council. (USDOC)

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OTHER BILATERAL

It was noted that the GOI appeared lukewarm about the USG proposal for a Binational Rupee Fund, citing their fear that other excess currency holders (principally from the Eastern bloc) will want to follow suit. However, Gandhi agreed to review the issue expeditiously on his return to New Delhi.

State/NEA outlined discussions, during Gandhi's visit, for enhanced bilateral and regional cooperation in drug enforcement. Ambassador Barnes will establish a contact between the New Delhi DEA Director and Arun Singh for further discussion.

USIA noted that the Indians expressed some unhappiness, during the Educational and Cultural Subcommittee meeting, with the imbalance between India's very large Festival in the U.S. and our own more modest effort in India. USIA will examine the possibility of putting more resources into the India program, including youth exchange.

Action:

- (14) Pursue the matter of obtaining a rapid and favorable GOI decision on the Binational Rupee Fund. (State with Embassy Delhi)
- (15) Pursue expanded cooperation in drug enforcement. (State with Embassy Delhi)
- (16) Look into the possibility of putting more resources into the India program, including youth exchange. (USIA)
- (17) Explore the possibility of a return visit by President Reagan to India in early 1986. (NSC)

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Actions on Checklist from June 20, 1985, SIG on Follow-up to Rajiv Gandhi's visit

1. Afghanistan: GOI dispatched Bhandari to Moscow following Gandhi visit, and we have maintained dialogue with GOI on Afghanistan since then; no change in GOI public position, however.
2. Dialogue on Arms Control: The President and Rajiv have exchanged several letters on disarmament issues, and Ambassador Kampelman will visit New Delhi June 12-13 to brief Rajiv on our disarmament positions. We will need to follow up later to maintain the dialogue. *May Kampelman*
3. MOD/DOD Visit Exchanges: Indian Ministry of Defense Science Adviser Arunachalam visited the United States in August 1985, and a DOD mission areas team paid a return visit to Indian defense research establishments in February. DOD is tentatively planning a visit to India by Defense Secretary Weinberger in late September.
4. Follow-up to Memorandum of Understanding. We reached agreement on nuclear-software assurances in August, and on the principal implementing vehicle, the Revised Indian Import License, in January, at the time of our first formal review of the MOU in New Delhi. New procedures based on the import license were published in the Federal Register in March. While no interagency agreement appears possible on the Streamlined Export Licensing Procedures, as originally foreseen, we are working on two tracks to speed up existing procedures: (a) Discussions under way with Commerce to expedite handling of non-controversial cases (b) PM is organizing an interagency committee to handle the backlog of India cases.
5. Coordinate with COCOM: In February, we proposed to other COCOM members that they align their policies on export to India with ours. While no decision was taken, our major COCOM partners seemed favorable. We will be pursuing this with them.
6. Pursue CDC Contract: We got case reopened, and the contract was awarded to CDC. Final GOI legal review is now underway. We will have to reallocate ESF funds to provide the grant element in the mixed credit financing of the contract.

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7. Agricultural University Vice Chancellors Visit: The Vice Chancellors have visited the US, and AID is considering ways to build on the visit in our bilateral aid program; India was not interested in agricultural universities as a vehicle for cooperation in Africa, however.

8. Pursue GATT New Round with GOI: We have repeatedly discussed this issue at high levels with the GOI. While the GOI still opposes inclusion of services in GATT new round, there have been some indications of flexibility we need to pursue.

9. GATT New Round Study: After initial contracting difficulties, work is now under way.

10. Treasury/Finance Ministry Dialogue: Indian Finance Secretary had a good meeting with Dave Mulford during the Indo-US Economic Subcommission meeting, and Finance Minister V.P. Singh met with Secretary Baker during the Interim Committee meetings. Both Treasury officials took a more flexible line than previously on the possibilities for enhanced Indian borrowing in the (unlikely) event that IDA is replenished at a sufficiently high level. We joined in approving the ADB's first loan to India.

11. Trade Missions: USDOC has assisted two major Indian Trade and Investment missions here (a highly unusual practice). Major U.S. missions to India since the visit include: an executive level oil and gas mission; High-Tech U.S.A. exhibit, which included participation by the National Bureau of Standards; missions in mining and extraction and engineering and construction; and an Oklahoma state mission. Taken together, this represents an exceptional level of activity. Commerce is planning the first U.S. exhibit at the Indian International Trade Fair since 1959.

12. Telecommunications Demonstration Project: The GOI, for financial reasons, has postponed the two-cities project; we are working with AID on funding for Bell Labs to provide telecommunications planning assistance to the GOI. Secretary Baldrige is inviting the Indian Minister of State for telecommunications to visit the U.S.

13. USG Involvement in Joint Business Council: State, Commerce and USTR are in close contact with the JBC Secretariat, and with Senator Percy who leads the U.S. side on high-tech affairs. A report on the March Delhi JBC meeting was included in the Economic-Commercial Subcommittee meeting. Closer U.S. involvement is not anticipated.

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14. Rupee Fund: GOI informed us in February of agreement in principle to Rupee Fund; a text is being negotiated in Delhi.

15. Narcotics Cooperation: Discussed during visit of Attorney General Meese; GOI has agreed to Narcotics Working Group, first meeting of which should occur by September.

16. Additional USIA Resources, including Youth Exchange: Delegation of young Members of Parliament visited US in late 1984, hosted by ACYPL, which plans to send a delegation to India in this year, following up US delegation which visited in 1984.

17. Presidential Visit: We understand from the NSC that this is unlikely in 1986 but possible in 1987. We are encouraging Maureen Reagan to reschedule her visit (postponed because of Libya) for the fall, in hopes that she will report back favorably.

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