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THE PRESIDENT HAS SEEN ✓ *569*

THE WHITE HOUSE
WASHINGTON

July 1/21

July 16, 1969

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MEMORANDUM FOR THE PRESIDENT

FROM: Henry A. Kissinger *HK*

SUBJECT: Indian Political Crisis

India's ruling Congress party is in the midst of a sudden crisis, which some feel could even lead to the resignation of Prime Minister Gandhi.

Although it is difficult to characterize the division within the party -- which has existed since before independence -- it is essentially between the old guard party politicians and Mrs. Gandhi's governmental wing of the party. Two powerful figures who usually act independently -- Home Minister Chavan and Deputy Prime Minister Desai -- have joined the Old Guard.

Background

The trouble began at a party meeting last week in Bangalore where the two main issues were a proposal to nationalize the banks and the selection of a presidential candidate for the August 16 election. Mrs. Gandhi won on the bank question, but in doing so may have lost the support of its opponents -- led by Desai -- without guaranteeing the backing of those favoring nationalization. (She may have hoped the issue would split Chavan and Desai, but the effect was the opposite.)

On Sunday, both Chavan and Desai apparently supported Sanjiva Reddy -- the speaker of the lower house of parliament and a member of the Old Guard -- against Mrs. Gandhi's candidate, Acting President Giri. After Reddy's selection, Giri announced that he would run as an independent, and Mrs. Gandhi began moves -- so far unproductive -- to reverse the choice.

Since that time, Giri has announced he will resign as President -- although he clearly intends to stay in the race. The completely non-political Chief Justice Mohammed Hidayatullah would succeed him.

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The Indian presidency has been a largely ceremonial office, but this has been due primarily to the stability of twenty years of large Congress Party majorities. Instability in some state governments and the loss of others to the opposition have already made the position more important -- constitutionally, the President, not the Prime Minister, has the power of intervention -- and with the prospect of a coalition government in New Delhi in 1972, it has become even more important for Mrs. Gandhi to have a friend in the office.

Today, Desai resigned from the cabinet, although it is not yet clear why. Presumably his opposition to Mrs. Gandhi's nationalization scheme played some part in his resignation or dismissal as Finance Minister -- his substantive cabinet post -- and with this gone he saw no point in continuing in the functionless office of Deputy Prime Minister. There may well be much broader implications to his resignation, although it is not clear whether this signals a move to oust Mrs. Gandhi. At last report, Chavan was still in the cabinet.

Relation to the Trip

Our advance man in New Delhi (Walker) has cabled: "With President Giri resigning and the possibility of the Prime Minister being forced to resign, I cannot see us continuing to make plans for the stop in Delhi." His main problem is that he is having trouble getting firm answers to his questions on your schedule because the top leadership is preoccupied with the political crisis.

I believe, above all, that any decision to cancel your visit would have to come from the Indians. Therefore, we are cabling Walker to go ahead with his planning until the Indians broach the subject of cancellation.