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	E.O. 11652: GDS	
	TAGS: PFOR, IN	
	SUBJECT: India's Foreign Policy	
	SUMMARY: This country <sup>is</sup> in trouble. The crude oil crisis hit rising on top of a grain pinch, a sluggish economy, and domestic pressures. political/ <del>not</del> We foresee an India less confident, less potentially influential, and more frustrated in the conduct of its foreign affairs than might have been expected, say, after the Bangladesh war and in terms of the rhetoric of earlier years. A key problem as India focuses on the competition for	

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*11 Political Summary*

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bare essentials is its increasing isolation and lack of leverage in the emerging framework of world affairs. The new military potential of Persian Gulf countries is seen as a special threat. West Asia will be a major preoccupation of Indian policy; East and Southeast Asia will not. In South Asia, to which India's ability to project military power will be limited, India will be a cautious supporter of the status quo, interested in the stability and integrity of its neighbors. It will remain concerned over Chinese influence and anxious to retain Soviet support. END SUMMARY.

1. India's economic difficulties are going to bear increasingly on the style and focus of its foreign policy. It seems to us that to some degree the military and diplomatic success of the Bangladesh war obscured/ <sup>India's</sup> ~~the~~ underlying problems and limitations.

~~of India's political economy~~ The war coincided with a period of domestic political consolidation, industrial progress, and agricultural sufficiency--the peak of the green revolution. The successes of 1971 raised expectations both here and abroad that India would be a stronger regional power and a more influential voice in world affairs.

2. India's confidence has been shaken and its visions trimmed by renewed awareness of scarcity and economic debility. The pinch started at home with drought in 1972 and industrial stagnation. Then a changed international market hit India first with expensive grain and next with an oil crisis. Here, as



mistrusted, India finds within South Asia neither the solidarity nor the numbers that make other regions significant in international councils.

5. India thus turns to larger, softer forums such as the Non-Aligned Conference and the "Group of 77". But among the non-aligned, India's voice has been increasingly incidental to the direction imparted by the Afro-Arab activists. While India might have a potential new role as spokesman for the oil-importing non-aligned, it has not yet exercised such leadership and appears reluctant to become a leader--and a target. Except for a few old friends like Tito, heads of government no longer appear to look to India in the role it once set up for itself--a non-aligned leader with some authority and potential. The moral suasion is gone. Detente has eliminated opportunities for maneuver and mediation. High-level visitors still come to New Delhi, but their visits seem increasingly empty of content except for those from neighboring countries. In sum, beyond South Asia, governments give India little consideration in making their plans.

6. India was fortunate to have consolidated its regional pre-eminence before the current economic crisis. A major foreign policy objective will be to preserve it. More than ever before, perhaps, India has reason to be a status quo power in the region. It will remain involved in ticklish housekeeping problems with all of its neighbors that can easily bruise sensibilities and arouse suspicions. With Pakistan, India will seek a gradual improvement

[in relations--although neither Indian officials nor we are sanguine about the prospects for substantial cooperation. With Bangladesh, India ~~had hoped~~ <sup>hopes</sup> to remain the major political and economic partner but is uncertain it will. With regard to all its immediate neighbors, India will be interested in stability and integrity--and intensely concerned about their relations with China. We expect no major initiatives unless internal disruptions or Chinese influence pose an immediate threat to India. India does not expect the latter contingency to arise but is wary and sensitive to the potential. Some Indian policy-makers look toward a more consolidated and closer South Asian entente which would strengthen the economic and political voice of the entire region. The grouping would include all India's neighbors with India as the centerpiece. It is a goal which has considerable merit in every respect except the enormous unlikelihood that the other South Asian countries would be interested.

7. India may be the country most afraid of the new military potential of Persian Gulf countries. In this respect, the implications of the new cost of crude is a double jolt. India sees the weapons piling up around the Gulf as inherently destabilizing and a direct threat through transfer to Pakistan--in time of war, if not before. The Gulf sheikhdoms deny this, and India's reluctance to antagonize the Arabs makes it loath to challenge such assurances even though it does not believe them.

[India sees a new and competitive concentration of power in] the

Persian Gulf region--one where it competes at a disadvantage with Pakistan for influence and one that is bound to take priority over India in the calculations of the industrialized and major powers.

8. There is a sense of frustration that support for the Arab cause has never brought just reward--and that there is no alternative to continuing this policy or things might be even worse. India watched warily as Pakistan assembled the Arabs on India's doorstep at Lahore. It knows it can't pressure the Arabs through the non-aligned. India depends on West Asia for 70 percent of its oil and, despite its courting, there has been little interest in any special price deals for India, although opportunities for wider economic associations are developing. West Asia will be a major preoccupation of Indian policy. It will continue to cast about for economic cooperation and easy terms with Gulf countries and express concern to the West--but not to the Arabs--that it not sell them so many guns.

9. Toward Southeast Asia and the Pacific, Indian efforts will be modest. Its influence will be limited by dislike or disinterest on the part of many of the states in the region and on the absence on India's part of energetic policy. India hopes not to be shut out of the area by tight subregional groupings. It would like to see larger forums like ECAFE that include India strengthened. It will continue its cautious policy toward Indo-China aiming to wind up on the right side

of the winners. It will be concerned about any greatly increased Chinese influence--but it will be in no position to displace or affect the degree of such influence.

10. India's relations with the great powers will continue to be determined in large measure by their attitude toward Indian preeminence in South Asia--a preeminence seen here as supported by the USSR, accepted by the US, and still challenged by China. The principal competitors for external influence in South Asia are the Soviet Union and China. Both seek to influence India's posture toward the other--the Soviets by their embrace, and the Chinese by their current aloofness. India would like to achieve greater balance and leverage by normalizing relations with China while holding the advantages of the Soviet tie. The prospect of a Chinese mission in Dacca has made India even more anxious to improve relations with Peking. But a sense of weakness and almost psychological need for the support of an outside power will make India extremely wary of undermining Soviet support in order to please China.

11. In sum, as we see it, the drift and deterioration in India's domestic politics ~~political economy~~, the dramatic changes in oil and grain markets, and the evolving structure of world affairs severely limit Indian potential and leverage. This country is in trouble, travelling a downward curve with no current prospect of an upturn and no predictable decomposition. Reflections in foreign policy will be:

- acute frustration, less confidence
- an ambivalence of extreme caution not to offend anyone that might help and a temptation to finger external "enemies" (those who don't help) for domestic political gain
- slow adaptation and few major initiatives, with hard decisions postponed, a persistence of earlier rhetoric, and increasing preoccupation with internal and economic issues.

*[Handwritten Signature]*  
MOYNIHAN