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<u>Doc #</u>	<u>DocType</u>	<u>Doc Info</u>	<u>Classification</u>	<u>Pages</u>	<u>Date</u>	<u>Restriction</u>
03	report	Research Memorandum RNA-10 <i>open 3/3/14 per NLJ/RAC 12-247</i>	<del>S</del>	7	2/17/66	A
04	report	Research Memorandum RSB-10 <i>open 3/3/14 per NLJ/RAC 12-247</i>	<del>S</del>	9	9/30/65	A
05	cable	Intelligence Information Cable [sanitized 2000] <i>same sanitization 5/22/14 per NLJ/RAC 12-248</i>	S	2	9/15/65	A
06	cable	Intelligence Information Cable [sanitized 2000] <i>same sanitization 5/22/14 per NLJ/RAC 12-248</i>	S	2	9/10/65	A
10	page	page 5 of Current Intelligence Weekly Summary <i>sanitized 5/22/14 per NLJ/RAC 12-248</i> <del>exempt 9-24-07</del>	S	1	9/25/64	A
13	pages	pages 1-2 of Current Intelligence Digest <del>sanitized 9-24-07</del> <i>same sanitization 5/22/14 per NLJ/RAC 12-248</i>	S	2	9/21/64	A
14	memo	for Mr. Robert Komer <del>sanitized 9-24-07</del> <i>same sanitization 5/22/14 per NLJ/RAC 12-248</i>	S	1	7/29/64	A
15	report	Intelligence Memorandum <del>sanitized 9-24-07</del> <i>same sanitization 5/22/14 per NLJ/RAC 12-248</i>	S	17	[1964]	A
16	report	Research Memorandum RNA-22	S	3	7/10/64	A
17	report	Intelligence Summary <i>open 3/3/14 per NLJ/RAC 12-247</i>	<del>S</del>	3	7/15/64	A
18	report	Intelligence Brief <del>sanitized 9-24-07</del> <i>same sanitization 5/22/14 per NLJ/RAC 12-248</i>	S	6	5/65	A

**Collection Title** National Security File, Files of Robert W. Komer  
**Folder Title** "INDIA - USSR 1964 - March 1966 (including MIGs)"  
**Box Number** 26

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5/24/2004

JC  
Initials

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19	report	Research Memorandum INR-19 <i>open 3/3/14 per NLJ/RAC 12-247</i>	<del>S</del>	<del>8</del>	<del>5/20/64</del>	<del>A</del>
20	memo	for the Director <del>sanitized 9-24-07</del> <i>same sanitization 5/22/14 per NLJ/RAC 12-248</i>	S	4	5/16/64	A

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September 21, 1964

*India Sov  
X Paks*

MEMORANDUM FOR THE PRESIDENT

You'll be glad to know that the Paks have backed off from their threat to leave SEATO, which appears in hindsight to have been more of a ploy than a serious threat. We suspect that a major factor in cooling them down was your response to Ayub, i. e. if Paks felt compelled to reassess their alliances with us, we'd regretfully have to reassess our policy toward them.

Meanwhile, we are annoyed but not unduly surprised by the announced Soviet military credits to India. The MIG deal has been under negotiation since the first Soviet commitment in the summer of 1962. The chief new element is India's purchase of 90 Soviet amphibious light tanks, which gives the Soviets their first foothold in the Indian army. These are most useful, however, against the Chicoms, not against the Paks. The Indian Government carefully gave US aid equal billing with the Soviets in its official announcement, and made clear that we have not made any five-year aid commitment, as alleged in the press.

R. W. Komer

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E.O. 13292, Sec. 3.4  
NSC Memo, 1/30/95, State Guidelines  
By *je*, NARA, Date *5-24-01*

~~SECRET~~

June 23, 1964

2  
India MiG  
x India Pak

McGB:

It looks as though Mikoyan's surprise stop-over in Delhi (en route to Djakarta) may have clinched MIG deal. Our DCM was told (Delhi 3851) that it was "confirmed" by Mikoyan. DCM regards die as cast, but a few of us here still hope there may be some F-104 play left for us. In any case, we can keep plugging HF-24 engine, in hopes that if it pans out we'll have new case for limiting MIG purchases.

Meanwhile Paks seem to be whomping up another anti-US MAP for India campaign (note attached). To me, this is not yet the time to start being nice to Paks, but to growl back at them a while longer. Paks claim long-term US aid prevents India/Pak reconciliation, but in point of fact unless we keep them in suspense it is they who lose incentive for compromise with Shastri.

RWK

Attach. TDCS 5/584,363

DECLASSIFIED

Authority Slak 9-20-79; NSC 9-9-81

By Jelisp. NARA. Date 5-24-01

*Attn: Mr. Komer*  
Research

# Memorandum

U.S. DEPARTMENT OF STATE  
DIRECTOR OF INTELLIGENCE AND RESEARCH

RNA-10, February 17, 1966

To : The Secretary  
Through : S/S  
From : INR - Thomas L. Hughes *Thomas L. Hughes*  
Subject : Indian Military Procurement from the Soviet Bloc

*See 3*  
*India*  
*MAP*

In the following memorandum, we have analyzed the available evidence, drawn from highly sensitive and restricted sources, on Soviet Bloc military sales to India. This paper does not examine in depth the political implications of the Indo-Soviet military relationship.

### ABSTRACT

Since 1960, the USSR and some of its East European allies have delivered or agreed to supply military equipment to India valued at more than \$500 million. Of this figure, approximately \$340 million has been negotiated since August 1964; \$30 million more is probable. Soviet Bloc military sales initially were limited to aircraft and surface-to-air missiles. Now, however, substantial numbers of tanks, artillery, and ships have been supplied or are on order. As the sales program has considerable momentum, more orders are likely. Earlier orders were for cash or short-term credit; the more recent and larger orders have provided for payment in rupees over ten years at 2 1/2% interest. Based on these figures, India's annual payments will be approximately \$45 million.

Relatively little materiel has thus far been delivered on recent contracts, and it is possible that the USSR is impeding delivery in order to stimulate a more conciliatory Indian line towards Pakistan. There is little doubt, however, that the USSR has become a prime supplier of all types of arms to India and will continue in this role for the foreseeable future.

DECLASSIFIED  
E.O. 13526, Sec. 3.5  
NLJ/NAC 12-247  
By UUG NARA, Date 02-01-2014

In the following memorandum, we have surveyed the question of Indian arms purchases from the USSR and other Eastern European countries. Very little information on these purchases is public knowledge and the Indians have told us virtually nothing about them. Through very sensitive and reliable clandestine reporting, however, we have obtained fairly detailed coverage of Indo-Soviet arms purchase negotiations. The reporting is undoubtedly incomplete (i.e. there are probably more negotiations than we are aware of) but we feel that it provides reasonably satisfactory coverage. This reporting frequently gives the value of orders as well as quantity and types of items involved, so that we can gain a fairly good picture of the amount that the Indians are spending on Soviet arms.

In fact, of course, relatively little money has thus far changed hands. While the earlier, smaller deals were for cash or short-term, high interest credits, the more recent large contracts typically contain lengthier repayment terms --  $2\frac{1}{2}$  percent interest over ten years. If little money has changed hands however, it is interesting to note also that little equipment has recently changed hands. Our coverage of arrival of equipment is probably not as good as our knowledge of arms negotiations, yet even in this area we can assert with **considerable** confidence that the USSR has made only limited arms deliveries to India since the outbreak of hostilities with Pakistan last September. The Indians have apparently interpreted this as Soviet pressure to force more amicable relations between Rawalpindi and New Delhi. We agree with this interpretation, even though the possibilities for delays resulting from bureaucratic confusion in both India and the USSR cannot be underrated.

What emerges from the picture that we draw is the quantitative and qualitative increase in Indian arms purchases from the USSR and Eastern Europe in the past two years. Until 1962, the Soviets had sold no advanced equipment to the Indians and the Indians show little interest in acquiring much. In that year, the Soviets became a significant supplier of materiel for the Indian Air Force, with contracts for 12 MIG 21 fighters and a tentative agreement to build a MIG production facility in India. Even this position was in danger in 1963, however. The Soviets had equivocated during the Sino-Indian fighting of October 1962, so that only six MIGs were delivered. The Indians were not satisfied with these, and the prospects for the MIG production facility seemed very dim.

As the Indians were repeatedly unsuccessful in gaining Western support to the extent that they thought necessary for their fighter/interceptor program, they once again turned to the Soviets. By the autumn of 1964, New Delhi had decided to place its main reliance on the USSR in the aircraft field and ordered 38 MIG fighters, 6 trainers, assorted other air equipment and got the MIG manufacturing facility back on the tracks. The Soviets had apparently overcome much of their reluctance and also agreed to provide an improved MIG 21 model (limited all-weather) to the Indians.

The next major breakthrough for the Soviets came last summer, as the Indians decided to look to the USSR also as a major supplier for ground and naval equipment. Contracts let before, and especially since the Indo-Pakistani fighting of last summer, have made the USSR the principal overall supplier for India. The

Indian Navy will be outfitted with Soviet submarines and patrol craft; the Army's obsolescent tank park will be replenished with as many as 669 tanks of Bloc origin, and the Soviet 130 mm field gun will become the typical Indian artillery piece. Reports of new orders and plans for additional acquisition are appearing regularly. There is no reason to assume that the Indian purchase program has as yet peaked out, especially since the Indo-Pakistani hostilities convinced New Delhi that it has much greater defense needs than those perceived previously.

Table 1 lists major types of equipment, quantities ordered and delivered, firm or estimated prices, and other pertinent information. Most of the material is based on reliable covert reporting. Estimates are indicated and in each case have been made conservatively. In Table 2, overall cost totals are broken down by "firm" and "estimated" amounts, and further subdivided as to whether the commitment was incurred before or after the summer of 1964 -- the time of both Indo-US agreement on foreign exchange costs of the Indian Five Year Defense Plan (1964-1969), and the Soviet "breakthrough."

We have no doubt considerably understated the overall cost of Indian arms procurement from the USSR. (Our estimates, for example, are lower, perhaps by as much as \$100 million, than other figures which could have considerable claim to validity.) For instance, we have only fragmentary information on the cost of training and have not included it. The Soviets perform certain overhaul and repair work for India; this is also not included. Additional costs must at times be incurred beyond those stated (e.g. the 130 mm gun prices are reportedly for the gun alone; considerable auxiliary equipment, such as mounts, will apparently be additional.) Only a few of the contracts call for spares; further purchases will certainly be needed for maintenance of Soviet equipment and a few items, not clearly for military end-use have been omitted, as have been unsubstantiated rumors of procurement. At one point the Indians were considering procurement of a low-level SAM system. Nothing more has been heard of this, but should it materialize, it would be an extremely expensive addition to the list.

Beyond arms purchases, there is the question of armaments production. Some progress has already been made on the MIG construction facilities. We have listed the foreign exchange costs for this at \$86 million; this is probably a considerable understatement, although we have no yardstick against which to measure it. In addition, the Indians are reportedly exploring the possibility of producing other Soviet equipment -- tanks, missiles, ammunition -- under license. These probes are still in early stages, but if consummated would add substantially to the Soviet bill. The mere presence of so much Soviet-origin military equipment and production facilities will generate further purchases of goods and services for support, and encourage the Indians to standardize still further on other Soviet items. Thus we would expect that Indian arms purchases from the Bloc will continue at a high level for the foreseeable future. The USSR, with an assist from some of its Eastern European allies, has not only become the major source of military equipment for India, but seems likely to remain so.

If we assume the cost of the total bill since August 1964 to be approximately \$375 million and further assume that (a) payment is at 2½ percent over ten years in equal installments and (b) that on the average, payments will begin to become due on January 1, 1966, the annual charge against India would be about \$45 million, in addition to payments against economic development credits. These charges are payable in rupees and thus are not a direct foreign exchange charge. Nevertheless, unlike the rupees generated by our PL 480 program, the Soviet-owned rupees can be used for the purchase of commodities in India for export to the USSR. Although the Soviets will no doubt be hard put to find uses for rupees in this quantity, and some if not most will never be cashed in, certainly a portion will be used to make purchases of items that would otherwise be sold against convertible foreign exchange, and thereby be a drain on the Indian balance of payments. In some instances the hard currency obligation may be more direct.

#### Political Implications

This paper does not address itself to political implications of the Indo-Soviet military relationship. Obviously, a number of questions do arise: What scope is left for Western military supply? What motivated the Soviet program? How far are the Soviets willing to go with it (especially in comparison to their military aid programs to the UAR and Indonesia), and what factors would ultimately limit the program? What influence can the Soviets gain over the Indian military? Over the Indian government? To what extent will the Soviets use their leverage to affect Indian policies?

The last of these questions is not solely of political importance. As indicated above, despite their willingness to sign contracts with the Indians, the Soviets have been notably unforthcoming on deliveries. Should the Soviets continue to drag their feet, the Indians could become disillusioned and the elaborate structure of Soviet military purchases could collapse. At a minimum, the promises of the past months do not guarantee that the Indian armed forces will be primarily reliant on Soviet equipment some years from now. They do, however, make it seem highly probable.

TABLE 1

## Soviet Bloc Military Equipment Delivered or Promised to India

Item	Quantity		Price*		Comments
	Ordered	Delivered	Confirmed	Estimated	
MIG 21 Fighters (USSR)	50	12	51.3	11.0	More than 12 may have been delivered; perhaps as many as 38. The first increment of 12 was arranged for in 1962; the remaining 38 plus the trainers were contracted for in August 1964. The latter contract (worth \$51.3 million) also included spares and air-to-air missiles (listed below).
MIG 21 Trainers (USSR)	6	0			
MIG Production Facility (USSR)	-	-		86.0	Most cost estimates are much higher (e.g. \$125 million). The figure given would represent only the Soviet input to the project. Progress on the facilities is being made slowly.
Mi4 Helicopters (USSR)	63	51	2.5	8.0	20 helicopters (\$2.5 million) contracted for in August 1964; the remainder were purchased in January 1963.
AN 12 Transports (USSR)	32	32	-	67.0	Contracted for in November 1960.
IL 14 Transports (USSR)	24	24	-	4.0	Contracted for in 1961.
Surface-to-air SA-2 Missile Complexes (USSR)	3	2		75.0	Two complexes contracted for prior to 1964; the other apparently finalized later. The first two are already in place at Delhi and Ambala/Chandigarh; the third is under construction at Calcutta.
K 13 Air-to-Air Missiles (USSR)	500	?	-	-	Included in the August 1964 MIG order. The value of the missiles was \$2.2 million.
PT 76 Amphibious Tanks (USSR)	176	93	7.3	-	More may have been delivered. Two contracts: Sept. 1964 and April 1965.
T 54A Tanks (Czechoslovakia)	268	?	42.0	-	Delivery in progress. Price includes 21 130 mm guns (see below); some radars, ammunition and other equipment. Contracted for in autumn 1965.

T 55 Tanks (USSR)	225	0	-	22.0	The Indians have given orders for this purchase, but it is not certain that a contract has yet been signed.	
130 mm Field Guns (USSR)	389	?	-	19.0	It is possible that 83 additional guns may have been ordered during 1965. Of the 389 listed here, 170 were firmly contracted for in September 1964; orders for the remainder have been issued, but it is not certain that a contract has been signed. Delivery schedules are slow; eight guns may have been delivered already.	
130 mm Field Guns (Czechoslovakia)	21	0	-	-	Not priced separately; cost is included in Czech tank order.	
Submarines (USSR)	4	0			All items ordered in September 1965.	
Submarine Tender (USSR)	1	0				
Petya Class Patrol Boats (USSR)	5	0	87.5	-		
Landing Craft (USSR)	2	0				
Small Patrol Craft (USSR)	2	0				
Ammunition and Electronic Equipment (Various)				30.0+	-	A very conservative estimate for this material would be \$30 million; \$45 million is more likely. One order of 130 mm ammunition from the Soviets is reportedly worth \$27 by itself; an ammunition order from Bulgaria is priced at \$2 million. No prices are available on the various radars supplied by the USSR and Czechoslovakia.

\*  
When prices appear in both the "confirmed" and the "estimated" columns, they are cumulative. On some items we have firm prices for part of the order and have estimated the remainder.

TABLE 2

Cost of Indian Arms purchases from the Soviet Bloc

(in \$ millions)

Purchases made prior to August 1964		140.0
Purchases made since August 1964, of which		
Confirmed	190.6	
Estimated	149.0	
Total	<u>339.6</u>	339.6
Items for which contracts not yet finalized		<u>33.0</u>
Grand Total		512.6

U.S. DEPARTMENT OF STATE  
DIRECTOR OF INTELLIGENCE AND RESEARCH

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N. S. C.  
9 56 AM '65

# Research Memorandum

RSB-103 September 30, 1965

- ~~SMITH~~
- ~~RATOR~~
- ~~BOWDLER~~
- ~~BOWMAN~~
- ~~CHASE~~
- ~~COOPER~~
- ~~JESSUP~~
- ~~JOHNSON~~
- ~~KEENE~~
- ~~KROMER~~
- ~~MOODY~~

To : The Acting Secretary  
 Through: S/S  
 From : INR - Thomas L. Hughes *Thomas L. Hughes*  
 Subject: Soviet Military Aid to India

*13*  
*Judith*  
*4*

This paper discusses the status of Soviet military deliveries to India since the Indo-Pakistani war began, and the prospects for increased Soviet military aid over the next year. Deliveries already made and those due under present contracts are listed on pages 5 and 6.

### ABSTRACT

An intelligence survey of the status of Soviet military aid to India indicates that although Moscow has given the Indian Government official assurances that outstanding military aid commitments will be met, and is now expediting some shipments originally scheduled for late this year, there was no sudden acceleration of Soviet military deliveries after India's war with Pakistan began.

Moscow has, despite its public stance of neutrality, quietly provided the Indians with a few military technicians and a small amount of specialized equipment for immediate tactical use, and has also apparently promised to send three squadrons of MIG-21 aircraft in addition to those promised earlier this year. But, despite a capacity to do so, there has been no Soviet effort to

GROUP 1

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E.O. 13526, Sec. 3.5

NLJ / PAC 12-247

NARA, Date 02-04-2014

OCT 1 1965 442

make quick, dramatic deliveries of arms, military equipment or aircraft either by sea or air. Political as well as logistic reasons were probably involved. Rapid, large shipments of arms to India, especially while her war with Pakistan was going on, would undermine the Soviet Union's public posture of neutrality. They would also cause further problems for Soviet relations with Peking and Karachi.

India has received more than \$450 million worth of military aid from Moscow over the past five years, some of it consisting of advanced, sophisticated weaponry never before sent outside the Soviet Bloc. There is ample reason to believe that India will ask for further aid, and that as a preferred, top-priority recipient of Soviet military assistance India will receive from Moscow virtually all the military hardware she requests or is able to absorb through 1966.

DECLASSIFIED  
EO 13526-2  
DATE 03-03-2015  
BY 1043  
OCT 1 1966

- 1 -

Total Soviet Military Aid Commitments, 1960 Through 1965

The total value of Soviet military aid commitments to India (already delivered and scheduled for future delivery) is now about \$450 million, of which at least \$350 million has been covered by long-term credits. From 1960 through mid-1964 Soviet military aid consisted only of aircraft. With the signing of an important new agreement in August 1964, Soviet military assistance approximately doubled in value and expanded to include surface-to-air missiles, artillery, tanks, and the establishment of facilities for the production of MIG-21 aircraft. In the past month the Indian Government has gone one step further with the signing of an agreement for submarines and naval craft.

Even prior to the outbreak of the India-Pakistan war, it appeared probable that Soviet military shipments to India would continue to increase both in volume and range. Supporting this presumption has been evidence that Moscow regards India, because of its prestige in the nonaligned world and its role against Communist China, as a preferred, first-priority customer for Soviet arms. Consequently, India has already received late-model, highly sophisticated Soviet equipment which has never before been exported outside of the Soviet bloc. The agreement for construction of a MIG aircraft factory and, more recently, for the sale of F-class submarines, are cases in point.

Official Soviet Assurances That Deliveries Will Continue

It was not immediately clear whether Moscow would continue to provide arms aid to New Delhi after all-out fighting between India and Pakistan broke out on September 6, especially in view of strong Soviet affirmations of neutrality. Gradually, evidence from various intelligence channels indicated that aid would continue and that Soviet officials had formally reassured the Indians that it would.

A report from an African Embassy in Moscow stated that the Indian Ambassador to the USSR, Kaul, had sent a formal note to the Soviet Foreign Ministry requesting assurances that military aid would not be interrupted. The Soviets were reported to have replied that all military aid originally planned would continue, "regardless of the present conflict." On the morning of September 17 Western press services cited "informed sources" in Moscow as saying that one of the results of Ambassador Kaul's urgent consultations with Kosygin and Gromyko, following Communist China's ultimatum of the 16th, was renewed Soviet assurances that military aid would not be stopped.

Finally, on September 21, just prior to Indian and Pakistani acceptance of the UN cease-fire proposal, Kaul advised our Moscow Embassy that Soviet military deliveries were continuing, as they had during the Sino-Indian conflict in 1962, on the basis of Soviet obligations under contracts with the Indian Government.

Limited Amount of Military Aid for Tactical Operations Provided During Hostilities

Unconfirmed reports that Soviet military deliveries would not be interrupted were bolstered by reports from sensitive sources that a limited number of Soviet military technicians had been loaned to the Indian army shortly after the fighting began. One stated that two Soviet experts on US aircraft had arrived in India to advise the Indian Air Force on the best tactics to use against Pakistani-operated US fighter aircraft. Two additional Soviets were reported to be helping the Indians to monitor and decode Pakistani military radio traffic, and others to be helping the Indian army set up and maintain forward repair facilities for Soviet-made military vehicles. The USSR was also reported to have supplied, on an urgent basis, 20 badly needed high-altitude cameras for military reconnaissance.

On September 13 a report from Delhi indicated that Moscow had replied favorably to an urgent Indian request that the USSR deliver three squadrons (48 planes) of MIG-21 aircraft in addition to those promised under previous contracts. The Soviet reply was that delivery would be made "as soon as possible." The basis for the Indian request was reportedly a clause in a May 1965 agreement with the Indian Government which provided that the Soviets would supply three additional squadrons of MIG-21's if the program for their manufacture in India were delayed, or if India required them "for emergency use."

As of this writing, September 30, 1965, there is no indication that these aircraft have been delivered, either by ferry flights from the USSR (the traditional method of military aircraft delivery) or crated on board ships. Nor have there been any reports that any other Soviet aircraft have been delivered since the fighting with Pakistan began.

Failure to Speed Up Military Aid Shipments May Have Reflected Political Caution As Well As Logistic Difficulties

The absence of any significant Soviet arms deliveries to India since the war with Pakistan broke out indicates that Moscow made no attempt to set forward previously arranged delivery schedules, which apparently did not call for the movement of any military aid shipments. Earlier experience has shown that Soviet military aid deliveries to India have been irregular -- two or three ships carrying SAM-2 missile equipment, for example, leaving for India within the space of a few weeks, with no subsequent deliveries for several months. The fact that no military shipments were en route to or arrived at Indian ports during the fighting with Pakistan was coincidental and not a planned suspension of arms aid.

Did Moscow have the capability to make significant deliveries of arms and military equipment to India during the 16 days of the war? A survey of the logistic and transport problems involved indicates that although these problems are considerable, some token shipments could have been made or attempted. Transit time by ship from the Black Sea to Bombay averages a minimum of 12 to 15 days, four more to Calcutta. Moving equipment to Soviet ports, packing, loading and scheduling could add on several more days. By air, some relatively small but psychologically impressive deliveries could have been made. AN-12 transport aircraft could have brought in light tanks, artillery, radar, trucks and jeeps, small arms and ammunition. Military aid flights would, however, have to fly a difficult and circuitous route. Avoiding Communist China, Pakistan, and Pakistan's allies on the West -- Iran, Turkey, Iraq --, they would have to fly south over Soviet Tadjikistan, over the narrow strip of Afghanistan separating Soviet territory from Kashmir (a corridor about 50 miles wide), and over the disputed territory of Kashmir itself, an action which could result in loud Pakistani protests and possible interception by the Pakistani air force.

The fact that no such quick dramatic efforts to supply immediate arms aid to India were made during the short period of all-out war, or have been made as of this writing, the end of September, suggests that for political reasons Moscow decided not to make an effort to overcome the practical difficulties involved. Thus, the Soviets may have concluded that the sudden movement of large quantities of Soviet military aid to New Delhi while the fighting was underway would be an incautious action, inconsistent with Moscow's emphatic public assurances of neutrality and counterproductive to its efforts to bring about an early cease-fire. The uncertainties of Soviet policy towards Peking, and Soviet desire to maintain good relations with Pakistan, also called for caution and restraint in extending military aid to India. The result, as has been noted above, appears to have been a Soviet policy of quiet, official assurances to the Indians that all scheduled arms aid commitments will be met, favorable consideration of requests for additional aid, and the unostentatious provision of a few military technicians and a small amount of specialized equipment for immediate tactical use.

Future Prospects: New Contracts, Expedited Deliveries Probable Through 1966

On the basis of intelligence evidence available since early in September, there is good reason to believe that India will make new requests for additional Soviet arms and military equipment and that Moscow will respond favorably. There is also reason to believe that the Soviets are already taking action to expedite the delivery of equipment called for by present contracts, which was originally not scheduled for shipment until late this year or during the first quarter of 1966.

Besides the fact of official Soviet confirmation that present military aid commitments will be met, there is the fact that the USSR is always more generous with military aid to a country on its priority aid list -- e.g., Indonesia, the UAR, Cuba. Formerly a reluctant recipient, which looked to Washington and London as well as to Moscow, India can now expect to receive, during the next year, virtually all the Soviet military hardware it requests or is able to absorb on the basis of storage, deployment, training programs and other logistical-administrative problems.

Military Deliveries Expected Under Present Soviet Commitments<sup>1</sup>

Much of the following equipment, contracted for under the Soviet-Indian military aid agreement of August 1964, should be on its way to India before the end of this year.

<u>Item</u>	<u>Remarks</u>
1. 125 PT-76 light amphibious tanks	Complete delivery called for in 1965.
2. 170 130-MM field guns	Purchase approved by Indian Defense Ministry in April 1965.
3. Equipment for 6 SA-2 "guideline" missile sites	Delivery expected before end of this year.
4. 38 MIG-21 all-weather jet fighters, type "FL"	18 expected by October 1965; balance by end of year.
5. 6 MIG-21 jet trainers	These will be first ever exported to a free-world country. Delivery expected by October 1965.
6. 10 MI-4 helicopters	
7. Equipment for MIG aircraft manufacture	Some of this equipment scheduled for delivery this year.
8. 4 F-class submarines	Reportedly purchased in August, these are regarded as the Soviet Union's best conventional (non-nuclear) type submarines. The W-class, given to Indonesia and the UAR in recent years, are obsolescent.
9. 1 sub-tender	Scheduled delivery dates for submarines and naval craft not certain.
10. 5 Petya-class patrol boats	These are about the size of a Riga-class destroyer escort.
11. 2 LST's.	
12. 5 police patrol boats	
13. 4 P-30-M radar sets	Delivery by end of 1965.

Military Aid Already Delivered - 1960 to Date

The following list reflects the emphasis on aircraft which characterized Soviet military assistance until about one year ago.

<u>Item</u>	<u>Remarks</u>
32 AN-12 transports	Large, 4-engine, turbo-prop
24 IL-14 transports	Small, 2-engine, piston
40 MI-4 helicopters	
12 MIG-21 fighters	
Equipment for 12 SA-2 "guideline" missile sites	Only one believed to be ready for full operation
67 PT-76 light tanks	
Undetermined number of air-to-air missiles	For installation on MIG-21's
60 R-113 radio sets	

- 
1. The above listings are based on available intelligence evidence, and are subject to adjustment as further information is received.

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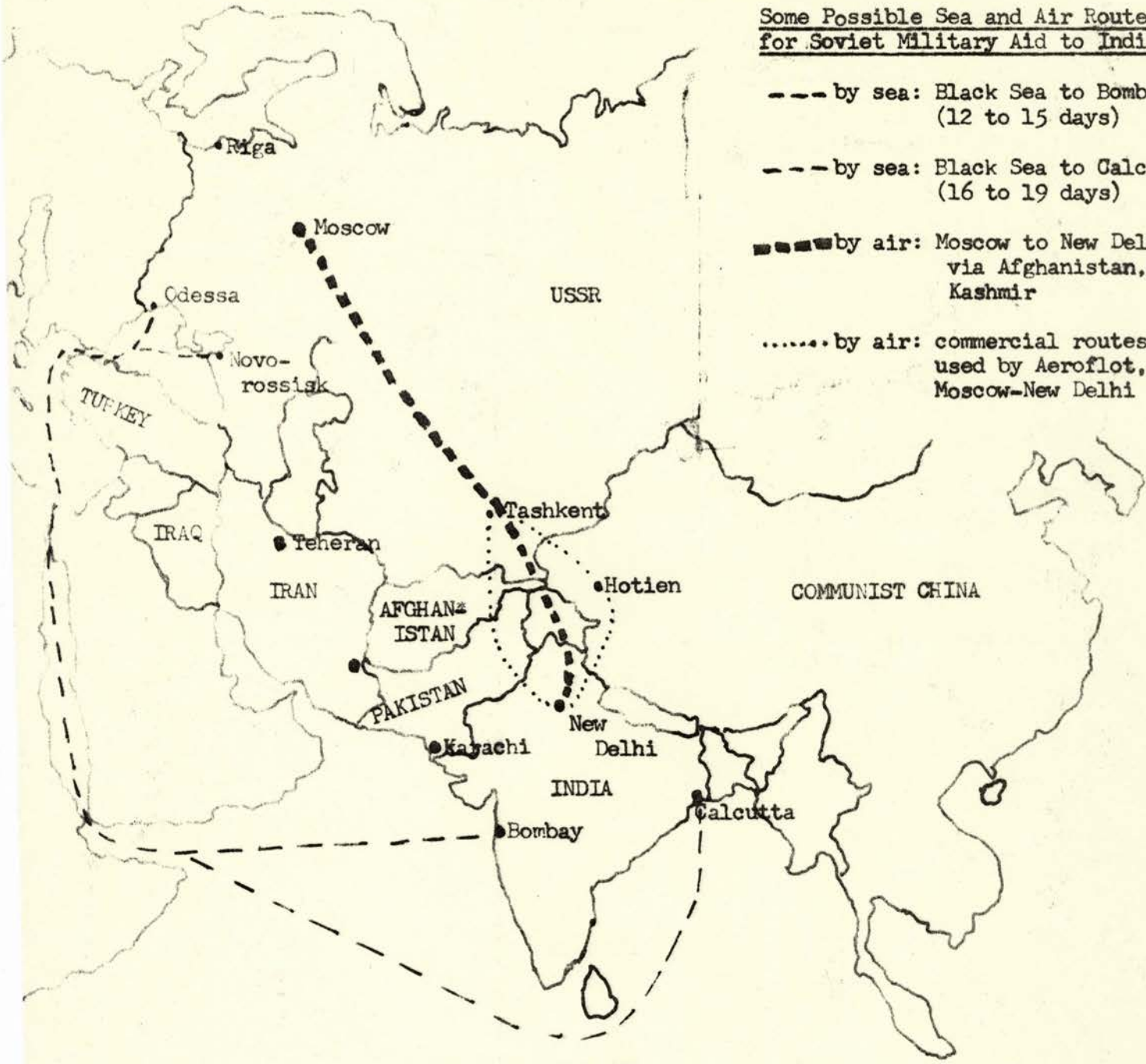
Some Possible Sea and Air Routes  
for Soviet Military Aid to India

--- by sea: Black Sea to Bombay  
(12 to 15 days)

--- by sea: Black Sea to Calcutta  
(16 to 19 days)

■ ■ ■ ■ by air: Moscow to New Delhi,  
via Afghanistan, and  
Kashmir

..... by air: commercial routes  
used by Aeroflot,  
Moscow-New Delhi



Rough Sketch - Not to Scale

All Routes Schematic

September 30, 1965

Confidential

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CONTROLLED DISTRIBUTION

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Some possible sea and air routes  
for Soviet Military Aid to India

--- by sea: Blank Sea to Bombay  
(12 to 15 days)

--- by sea: Blank Sea to Calcutta  
(16 to 19 days)

--- by air: Moscow to New Delhi  
via Afghanistan and  
Kabul

--- by air: commercial routes  
used by Aeroflot,  
Moscow-New Delhi



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5

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CENTRAL INTELLIGENCE AGENCY  
Intelligence Information Cable

● PRIORITY

COUNTRY INDIA/USSR

[Redacted]

DATE OF INFO. 15 SEPTEMBER 1965

DISTR. 15 SEPTEMBER 1965

SUBJECT

INDIA ORDER FOR THREE SQUADRONS OF  
MIG-21 AIRCRAFT FROM USSR

PLACE & DATE ACQ.

[Redacted]

[Redacted]

REF

IN 52478

SOURCE AND APPRAISAL:

[Redacted]

FIELD REPORT NO.

[Redacted]

1. [Redacted] COMMENT.

[Redacted]

[Redacted] IN THE INDO/SOVIET AGREEMENT OF MAY 65, THE SOVIETS AGREED TO SUPPLY THREE ADDITIONAL SQUADRONS OF MIG-21 AIRCRAFT AS AND WHEN REQUIRED BY INDIA IN THE EVENT THE PROGRAM TO MANUFACTURE MIG AIRCRAFT IN INDIA IS DELAYED OR INDIA REQUIRES THEM FOR EMERGENCY USE.

2. [Redacted] THE GOVERNMENT OF INDIA HAD REQUESTED DELIVERY OF THREE SQUADRONS OF MIG-21 AIRCRAFT. THE

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GROUP 1  
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declassification

STATE/INR DIA ARMY/ACSI NAVY AIR JCS SECDEF NSA NIC AID USIA OCI ONE OCR ORR OO EXO  
D/OCI 2 CIA/NMCC

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E.O. 13526, Sec. 3.5

NLJ/rnac 12-248

By UUD NARA, Date 03-24-2014

NO FOREIGN DISSEM

IN

MFC 6-65 (2)

~~SECRET~~

IN 52478

PAGE 2

SOVIETS HAVE ADVISED THAT THEY WILL MAKE DELIVERY AS SOON AS POSSIBLE. [REDACTED] COMMENT. THIS WOULD BE IN ADDITION TO THE 38 AIRCRAFT CONTRACTED FOR IN SEPTEMBER 65 AND THE 18 REPORTEDLY CONTACTED FOR IN MAY 65.)

3. [REDACTED] DISSEM. STATE ARMY NAVY AIR USMSM [REDACTED]

[REDACTED] FOR CINCPAC).

END OF MESSAGE

~~SECRET~~

NO FOREIGN DISSEM

6

~~NO FOREIGN DISSEM~~

~~SECRET~~

CENTRAL INTELLIGENCE AGENCY  
Intelligence Information Cable

PRIORITY

COUNTRY INDIA USSR

DATE OF INFO.

[Redacted]

*J. J. S.*

SUBJECT

[Redacted]

DISTR. 10 SEPTEMBER 1965

SOVIET AGREEMENT TO SUPPLY INDIA WITH SUBMARINES

PLACE & DATE ACQ.

[Redacted]

REF

IN 49374

SOURCE AND APPRAISAL:

[Redacted]

FIELD REPORT NO.

[Redacted]

- SMITH
- BATOR
- BOWEN
- BOYMAN
- CHASE
- COOPER
- JESSUP
- JOHNSON
- KERRY
- LISTER
- MOODY

1. THE SOVIET UNION HAS AGREED TO PROVIDE INDIA WITH FOUR SUBMARINES. ONE IS AN OCEAN GOING TYPE AND THE OTHER THREE ARE COASTAL PATROL TYPE. TERMS OF PAYMENT ARE PAYMENT IN RUPEES, TEN YEAR TERM FOR PAYMENT, FIRST INSTALLMENT TO BE PAID ONE YEAR AFTER DELIVERY OF THE FIRST SUBMARINE, INTEREST AT TWO AND A HALF PERCENT.

2. THE OCEAN GOING SUBMARINE WILL BE SAILED TO INDIA BY A SOVIET CREW. THE OTHER THREE SUBMARINES WILL BE KNOCKED DOWN AND DELIVERED VIA SOVIET SHIPS TO INDIA. THEY WILL BE ASSEMBLED IN INDIA. [Redacted] COMMENT. PROBABLY IN BOMBAY.)

This material contains information affecting the National Defense of the United States within the meaning of the Espionage Laws, Title 18, U.S.C. Secs. 793 and 794, the transmission or revelation of which in any manner to an unauthorized person is prohibited by law.

~~SECRET~~

~~NO FOREIGN DISSEM~~

GROUP 1  
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declassification

STATE/INR DIA ARMY/ACSI NAVY AIR JCS SECDEF NSA NIC AID USIA OCI ONE OCR ORR OO

D/OCI 2, CIA/NMCC, OSI 3

EXO

EO 13526 3.3(b)(1)>25Yrs

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NLJ /RAC 12-248  
By *UW* NARA, Date 03-23-2014

~~NO FOREIGN DISSEM~~

IN

~~SECRET~~

[Redacted]

PAGE  
2

IN 49374

3. THE INDIAN NAVY PLANS TO ESTABLISH A SUBMARINE BASE AT MARMAGOA. THE SUBMARINES WILL BE BASED THERE AS SOON AS THE NECESSARY SUPPORT FACILITIES AND PERMANENT INSTALLATIONS ARE COMPLETED.

4. THE SOVIETS HAVE AGREED TO GIVE THREE SENIOR INDIAN NAVAL OFFICERS A NINE MONTHS TRAINING COURSE IN THE USSR IN THE STRATEGY AND TACTICS OF SUBMARINE WARFARE. EIGHT JUNIOR OFFICERS WILL ALSO BE TRAINED.

5. [Redacted] DISSEM. STATE ARMY NAVY AIR USMSMI CINCMEAFSA. CINCPAC PACFLT ARPAC PACAF.

END OF MESSAGE

~~SECRET~~

~~NO FOREIGN DISSEM~~

U.S. DEPARTMENT OF STATE  
DIRECTOR OF INTELLIGENCE AND RESEARCH

*Intelligence  
Note*

1 13

To : The Secretary  
Through: S/S  
From : INR - Thomas L. Hughes *TH*

MAY 21 1965

Subject: Shastri's Visit to Moscow: An Initial Appraisal

Shastri's Visit. The warm Soviet reception for Prime Minister Shastri contrasted sharply with the rather cool treatment accorded Ayub Khan of Pakistan last month. Shastri received continual high-level attention and was deeply impressed by it. He apparently concentrated his efforts on securing Soviet economic assistance and presenting India's case with regard to China, but did not press the USSR on Southeast Asian problems or nuclear guarantees. The economic agreement reached seemed to be satisfactory to the Indians, but the Soviets apparently were non-committal on China.

The Economic Agreement. The Soviets reportedly agreed to an aid contribution to the Fourth Five-Year Plan close to the \$1 billion figure the Indians had hoped for. Probably a portion of this contribution will be unutilized funds from previous credits; about \$535 millions of such funds exist, including \$211 million obligated for the Bokaro steel plant. The communique included a statement on the "desirability" of increasing Indo-Soviet trade by about 100 per cent by 1970. Such growth would reflect increases in Indian repayments for past credits and Soviet deliveries under new credits.

The Communique. The most significant part of the communique from the US

GROUP 1

Excluded from automatic  
downgrading and  
declassification

~~BUNDY-SMITH~~  
~~BATOR~~  
~~BOWDLER~~  
~~BOWMAN~~  
~~CHASE~~  
~~COOPER~~  
~~HAYNES~~  
~~JESSUP~~  
~~JOHNSON~~  
~~KEENE~~  
~~KELN~~  
~~KOMER~~  
~~MOODY~~  
~~REEDY~~  
~~SAUNDERS~~  
~~THOMSON~~

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State Dept. Guidelines  
By *jc*, NARA, Date 5-24-04

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MAY 24 1965

- 2 -

point of view was a restatement of the call for an end to US bombings in North Vietnam. According to Indian reports, the Soviets had attempted to include strongly anti-US language, presumably along the lines of remarks made publicly by Kosygin in Shastri's presence. The communique did not include any such language; neither, however, did it mention Viet Cong or North Vietnamese activities. Rather than refer to any constructive proposals on Vietnam, such as negotiations or the Radhakrishnan plan for an Afro-Asian peacekeeping force, the communique only said that a solution should be sought within the framework of the 1954 Geneva Accords. The document contains strong attacks on colonialism and neocolonialism; supports the struggle of peoples of Asia, Africa and Latin America for freedom and independence; denounces colonialism in South Arabia, along with the white-dominated areas of Africa; and supports the struggle of the people of the Congo (Leopoldville) in defense of their freedom and against foreign intervention.

Presumably in response to Indian concern over the problem of China's nuclear weapons program, the communique devoted somewhat more attention to the subject of proliferation of nuclear weapons than has been common in recent Soviet statements about disarmament; it did not mention Communist China, despite Shastri's public attempts to associate the Soviets with the Indian position. The discussion of non-proliferation also contained more or less customary Soviet language implying opposition to possible NATO multilateral nuclear arrangements, although without any acerbic reference to NATO or West Germany.

The communique includes a restatement of Soviet policy on the German problem in slightly unusual terms: the "best" solution -- not presumably the only one -- would be a peace treaty with two German states and on that basis the normalization of West Berlin as an independent political entity.

India did not receive any significant Soviet support in its border disputes. There is no mention of the Rann of Kutch nor any reaffirmation of Soviet backing of India on Kashmir. Instead, a general statement favoring the settlement of territorial and border disputes by peaceful negotiations serves the double purpose of implying both even-handed Soviet neutrality between India and Pakistan (undoubtedly pleasing to Karachi and disappointing to New Delhi) and Soviet support for India in the Sino-Indian border dispute.

There is little doubt that the Shastri visit, coupled with Soviet promises of increased economic aid and recently stepped-up military deliveries, marks a high point of Indo-Soviet relations, at least since 1962. However, the atmosphere of relations today is far short of the euphoria surrounding the Bulganin-Khrushchev visit of 1955, and a realization of the indispensibility of Indo-US ties remains strong in the Indian government despite present strains on relations caused by the cancellation of Shastri's visit and Indian anger over the use of US weapons by Pakistan in the Rann of Kutch. Shastri himself, once the overwhelming impression of his first major state visit has worn off, will no doubt recognize more clearly the scant political support that the Soviets were willing to give him. For the immediate future, however, the Soviet Union will be enjoying its place in the warm Indian sun.

FBS 120 (SEE 106)

SOVIET-INDIAN COMMUNIQUE

MOSCOW TASS INTERNATIONAL SERVICE IN ENGLISH 1830Z 19 MAY 65 L

(TEXT) MOSCOW--FOLLOWING IS THE FULL TEXT OF THE JOINT SOVIET-INDIAN COMMUNIQUE:

PRIME MINISTER OF INDIA LAL BAHADUR SHASTRI AND HIS WIFE PAID AN OFFICIAL VISIT TO THE SOVIET UNION 12-19 MAY AT THE INVITATION OF THE USSR GOVERNMENT. THE PRIME MINISTER OF INDIA WAS ACCOMPANIED BY MINISTER OF FOREIGN AFFAIRS SARDAR SWARAN SINGH AND OTHER HIGH OFFICIALS.

DURING THEIR STAY IN THE SOVIET UNION, THE PRIME MINISTER OF INDIA AND HIS PARTY VISITED MOSCOW AS WELL AS LENINGRAD, KIEV, AND TASHKENT. THE DISTINGUISHED GUESTS VISITED THE V.I. LENIN MAUSOLEUM AND LAID A WREATH. THEY STUDIED WITH INTEREST VARIOUS ASPECTS OF THE LIFE OF THE GREAT SOVIET PEOPLE, THEIR ACTIVITIES AND ACHIEVEMENTS IN THE FIELD OF ECONOMICS, SCIENCE, CULTURE, ART, AND PUBLIC HEALTH. THEY INSPECTED INDUSTRIAL AND AGRICULTURAL ENTERPRISES, AS WELL AS USSR SCIENTIFIC AND CULTURAL INSTITUTIONS.

IN MOSCOW AND IN THE SOVIET UNION, THE PRIME MINISTER OF INDIA AND HIS PARTY WERE ACCORDED A CORDIAL RECEPTION AND HOSPITALITY. THEY MET AND TALKED WITH REPRESENTATIVES OF VARIOUS SEGMENTS OF THE SOVIET POPULATION--WORKERS, SCIENTISTS, AND COLLECTIVE FARMERS-- AND EVERYWHERE THE GUESTS FROM INDIA ENCOUNTERED EXPRESSIONS OF THE FEELINGS OF SINCERE FRIENDSHIP AND RESPECT THAT THE SOVIET PEOPLE HAVE FOR THE GREAT INDIAN PEOPLE.

THE PRIME MINISTER OF INDIA TOOK PART IN THE MASS SOVIET-INDIAN FRIENDSHIP MEETING IN THE KREMLIN. AT THAT MEETING SPEECHES WERE MADE BY CHAIRMAN OF THE USSR COUNCIL OF MINISTERS A.N. KOSYGIN AND INDIAN PRIME MINISTER L.B. SHASTRI.

PRIME MINISTER L.B. SHASTRI HAD MEETINGS AND TALKS WITH L.I. BREZHNEV, A.N. KOSYGIN, A.I. MIKOYAN, AND OTHER SOVIET LEADERS. PRESENT AT THE TALKS FROM THE SOVIET SIDE WERE: VICE CHAIRMAN OF THE USSR COUNCIL OF MINISTERS A.N. SHELEPIN, USSR MINISTER OF FOREIGN TRADE N.S. PATROLICHEV, CHAIRMAN OF THE STATE COMMITTEE OF THE USSR COUNCIL OF MINISTERS FOR FOREIGN ECONOMIC RELATIONS S.A. SKACHKOV, DEPUTY MINISTERS OF FOREIGN AFFAIRS OF THE USSR V.V. KUZNETSOV AND N.P. FIRYUBIN, VICE CHAIRMAN OF THE STATE COMMITTEE FOR FOREIGN ECONOMIC RELATIONS A.A. SERGEYEV, AND HEAD OF THE DEPARTMENT OF SOUTHERN ASIA OF THE USSR MINISTRY OF FOREIGN AFFAIRS V.I. LIKHACHEV.

FROM THE INDIAN SIDE THE TALKS WERE ATTENDED BY: MINISTER OF FOREIGN AFFAIRS SARDAR SWARAN SINGH, VICE CHAIRMAN OF THE NATIONAL PLANNING COMMISSION ASHOKA MENTA, INDIAN AMBASSADOR IN THE USSR TRILOKI NATH KAUL, SECRETARY OF THE PRIME MINISTER, KANT DJHA, SECRETARY FOR FOREIGN AFFAIRS OF THE INDIAN MINISTRY OF FOREIGN AFFAIRS CHANDRA SHAKHAR DJHA.

PRESERVATION COPY

DURING THESE TALKS, WHICH PASSED IN AN ATMOSPHERE OF FRANK  
MUTUAL UNDERSTANDING, THE SIDES EXCHANGED VIEWS ON THE MAIN  
INTERNATIONAL PROBLEMS ) DISCUSSED QUESTIONS ON E FURTHER  
DEVELOPMENT OF SOVIET-INDIAN RELATIONS AND MUTUALLY ADVANTAGEOUS  
COOPERATION. 11

THE SOVIET GOVERNMENT AND THE GOVERNMENT OF INDIA NOTED THAT THE ALL-ROUND COOPERATION OF THE SOVIET UNION AND INDIA, BASED ON THE PRINCIPLES OF THE PEACEFUL COEXISTENCE OF STATES WITH DIFFERENT SOCIAL SYSTEMS, IS DEVELOPING SUCCESSFULLY. THE SIDES CONFIRMED THEIR IMMUTABLE ADHERENCE TO THE PRINCIPLES OF PEACEFUL COEXISTENCE, WHICH ENVISAGE RESPECT FOR TERRITORIAL INTEGRITY AND SOVEREIGNTY, NONINTERFERENCE INTO DOMESTIC AFFAIRS, NONAGGRESSION, EQUALITY, AND MUTUAL ADVANTAGE. THE PEACEFUL COEXISTENCE OF STATES WITH DIFFERENT SOCIAL SYSTEMS GIVES THE PEOPLES AN OPPORTUNITY TO CHANNEL THEIR EFFORTS TO STRENGTHENING POLITICAL AND ECONOMIC INDEPENDENCE, RAISING LIVING STANDARDS, AND FACILITATES THE DEVELOPMENT OF THE NATIONAL LIBERATION MOVEMENT.

BOTH SIDES CONFIRMED THAT NO SINGLE STATE OR GROUP OF STATES HAS THE RIGHT TO INTERFERE DIRECTLY OR INDIRECTLY UNDER ANY PRETEXT INTO THE DOMESTIC AFFAIRS OF ANY OTHER STATE OR INTO ITS FOREIGN POLICY, OR TO PREVENT ANY PEOPLE FROM USING THEIR RIGHT TO CHOOSE AND DEVELOP THE POLITICAL, ECONOMIC, AND SOCIAL SYSTEM THAT THEY THINK BEST MEETS THEIR ASPIRATIONS.

THE SIDES AGREED THAT INTERNATIONAL DISPUTES, INCLUDING BORDER AND TERRITORIAL DISPUTES, MUST BE SOLVED BY WAY OF PEACEFUL TALKS, AND THE USE OF FORCE TO SETTLE SUCH DISPUTES IS IMPERMISSIBLE.

REALIZING THE PRESSING NEED OF ACTIVE STRUGGLE FOR A RADICAL IMPROVEMENT OF THE INTERNATIONAL SITUATION AND THE STRENGTHENING OF PEACE, THE SIDES EXPRESSED FIRM DETERMINATION NOT TO SPARE EFFORTS IN THE SEARCH FOR WAYS FOR THE SPEEDIEST SETTLEMENT OF INTERNATIONAL ISSUES, FOR LIQUIDATING THE THREAT OF NUCLEAR WAR, THE ACHIEVEMENT OF GENERAL AND COMPLETE DISARMAMENT, AND FOR ENSURING STABLE PEACE AMONG THE PEOPLES.

THE SIDES NOTE THAT IN OUR TIME THE POLICY OF NONALIGNMENT HAS BECOME THE FOREIGN POLITICAL COURSE OF MOST COUNTRIES WHICH HAVE RECENTLY FREED THEMSELVES FROM THE COLONIAL YOKE, AND THIS POLICY IS FINDING GROWING INTERNATIONAL RECOGNITION.

(MORE)

19 MAY 2206Z DLG/DP

FIRST ADD 120 (SOVIE. INDIAN COMMUNIQUE)

X X X GROWING INTERNATIONAL RECOGNITION.

(TEXT) THIS POLICY SERVES THE NOBLE AIMS OF PREVENTING WAR AND STRENGTHENING PEACE, AND EASING INTERNATIONAL TENSIONS AND DEVELOPING INTERNATIONAL COOPERATION. THE SIDES NOTED WITH SATISFACTION THE RESULTS OF THE SECOND CONFERENCE OF NONALIGNED COUNTRIES, HELD IN CAIRO IN OCTOBER 1964, WHICH CONTRIBUTED TO THE STRENGTHENING OF PEACE-LOVING FORCES IN THE STRUGGLE FOR THE ESTABLISHMENT AND PRESERVATION OF STABLE PEACE.

THE GOVERNMENT OF THE SOVIET UNION AND THE GOVERNMENT OF INDIA STATED THEIR FIRM DETERMINATION TO UPHOLD THE CAUSE OF PEACE AND TO CONDUCT ACTIVE STRUGGLE AGAINST ATTEMPTS AIMED AT INCREASING INTERNATIONAL TENSION.

THE SIDES NOTED THAT AN AGGRAVATION OF THE INTERNATIONAL SITUATION HAS TAKEN PLACE LATELY IN VARIOUS PARTS OF THE WORLD, PARTICULARLY IN THE AREA OF SOUTH AND SOUTHEAST ASIA.

BOTH SIDES EXPRESSED GREAT CONCERN OVER THE SITUATION IN VIETNAM. THE TWO GOVERNMENTS AGAIN DECLARED THAT THE BOMBINGS OF THE DRV MUST BE IMMEDIATELY STOPPED, AND A SOLUTION OF THE VIETNAMESE PROBLEM CAN BE FOUND ONLY WITHIN THE FRAMEWORK OF THE 1954 GENEVA AGREEMENTS ON INDOCHINA.

BOTH SIDES EXPRESSED THEIR CONCERN WITH THE FACT THAT SUCH CARDINAL QUESTIONS OF OUR TIME AS GENERAL AND COMPLETE DISARMAMENT, THE DANGER OF THE PROLEPERATION OF NUCLEAR WEAPONS, THE PROBLEM OF THE GERMAN PEACE SETTLEMENT, AND THE FINAL LIQUIDATION OF COLONIALISM STILL REMAIN UNSETTLED IN THE WORLD, AND THAT THEIR SOLUTION CALLS FOR THE TIRELESS EFFORTS OF ALL PEACE-LOVING STATES AND PEOPLES.

THE IDENTITY OF VIEWS ON THE NEED TO IMPLEMENT GENERAL AND COMPLETE DISARMAMENT UNDER STRICT INTERNATIONAL CONTROL WAS CONFIRMED DURING THE EXCHANGE OF VIEWS.

THE SIDES FOUND IT NECESSARY TO STRESS THE GREAT IMPORTANCE OF PARTIAL MEASURES ON LIMITING THE ARMS RACE AND EASING INTERNATIONAL TENSIONS, THE IMPLEMENTATION OF WHICH COULD FACILITATE GENERAL AND COMPLETE DISARMAMENT. THE SIDES BELIEVED IT EXPEDIENT IN THE NEAREST FUTURE TO REACH AGREEMENT ON SUCH MEASURES AS THE LIQUIDATION OF FOREIGN MILITARY BASES ON THE TERRITORIES OF OTHER COUNTRIES, THE PROHIBITION OF THE USE OF NUCLEAR WEAPONS, AND THE CREATION OF DENUCLEARIZED ZONES IN VARIOUS PARTS OF THE WORLD. THE SIDES ATTRIBUTED GREAT IMPORTANCE TO THE ADOPTION OF EFFECTIVE MEASURES AGAINST ANY PROLIFERATION OF NUCLEAR WEAPONS BOTH BY WAY OF THEIR DIRECT TRANSFER BY NUCLEAR STATES TO NONNUCLEAR STATES, OR BY WAY OF MILITARY ALLIANCES, GROUPINGS, AND ASSOCIATIONS OF COUNTRIES, OR ANY OTHER WAY.

THE INDIAN GOVERNMENT'S DECISION NOT TO USE NUCLEAR ENERGY FOR THE MANUFACTURE OF NUCLEAR WEAPONS, AND TO CHANNEL IT EXCLUSIVELY FOR PEACEFUL PURPOSES, MEETS THE FULL APPROVAL OF THE SOVIET GOVERNMENT.

~~SECRET~~  
IV  
BOTH SIDES WERE UNANIMOUS IN EXPRESSING THE NEED TO STRENGTHEN THE UNITED NATIONS AS AN INSTRUMENT OF MAINTAINING INTERNATIONAL PEACE AND SECURITY, THE BASIS OF A STRICT OBSERVANCE OF THE U.N. CHARTER. AT THE SAME TIME BOTH SIDES BELIEVED THAT U.N. ACCEPTANCE OF NEWLY INDEPENDENT STATES OF ASIA AND AFRICA CREATES A PRESSING NEED FOR A FULLER REPRESENTATION OF THESE COUNTRIES IN THE MAIN U.N. BODIES.

THE SIDES AGREED THAT THEY WILL COOPERATE IN OVERCOMING THE DIFFICULTIES NOW EXISTING IN THE UNITED NATIONS, BELIEVING THAT SUCH A SETTLEMENT MUST BE EFFECTED IN THE NEAR FUTURE WITH STRICT OBSERVANCE OF THE LEGITIMATE RIGHTS AND INTERESTS OF U.N. MEMBER STATES ENVISAGED BY THE CHARTER.

BOTH GOVERNMENTS BELIEVED THAT THE ABSOLUTELY ABNORMAL SITUATION, WHICH HAS BEEN MAINTAINED FOR 20 YEARS SINCE THE END OF WORLD WAR II, IS FRAUGHT WITH A THREAT TO THE PEACE IN EUROPE AND THROUGHOUT THE WORLD. WITH THE OBJECT OF MAINTAINING AND CONSOLIDATING UNIVERSAL PEACE THE TWO GOVERNMENTS BELIEVED THAT IT IS PARTICULARLY NECESSARY TO ENDEAVOR TO BRING ABOUT A GERMAN PEACE SETTLEMENT.

THE SOVIET SIDE BELIEVED THAT THE BEST SOLUTION OF THE GERMAN PROBLEM WOULD BE THE CONCLUSION OF A PEACE TREATY WITH BOTH GERMAN STATES AND THE NORMALIZATION, ON THIS BASIS, OF THE SITUATION IN WEST BERLIN AS AN INDEPENDENT POLITICAL ENTITY.

REFERRING TO THE STATEMENT OF THE LATE INDIAN PRIME MINISTER JAWAHARLAL NEHRU IN THE JOINT SOVIET-INDIAN COMMUNIQUE ISSUED IN MOSCOW 11 SEPTEMBER 1961, AND ALSO (TO THE) JOINT COMMUNIQUE OF 19 SEPTEMBER 1964 ISSUED UPON THE CONCLUSION OF THE VISIT TO THE USSR OF INDIAN PRESIDENT SRADHAKRISHNAN, THE INDIAN SIDE REAFFIRMED THESE STATEMENTS WHICH STATED THAT THE EXISTENCE OF TWO GERMAN STATES COULD NOT NOW BE IGNORED, THAT ANY ATTEMPT TO REVISE EXISTING FRONTIERS WOULD HAVE DANGEROUS CONSEQUENCES, AND THAT IT WAS VITALLY NECESSARY TO SEARCH FOR A PEACEFUL SOLUTION TO THE GERMAN PROBLEM THROUGH NEGOTIATIONS, WITH THE PARTICIPATION OF ALL SIDES CONCERNED.

(MORE)

19 MAY 2222Z DLG/DP

SECOND ADD 120 (SOV T-INDIAN COMMUNIQUE)

~~TOP SECRET~~  
V

X X X ALL SIDES CONCERNED.

(TEXT) THE SOVIET UNION AND INDIA ARE COMING OUT FOR THE COMPLETE LIQUIDATION OF ALL REMAINING COLONIAL REGIMES. THEY ARE AGAINST ALL FORMS OF COLONIALISM AND NEOCOLONIALISM, AND EXPRESS THEIR SINCERE SUPPORT OF THE ASIAN, AFRICAN, AND LATIN AMERICAN PEOPLE WHO ARE FIGHTING TO GAIN AND CONSOLIDATE FREEDOM AND INDEPENDENCE. THE SIDES EXPRESSED THEIR RESOLUTE SUPPORT OF THE DECLARATION ON GRANTING INDEPENDENCE TO COLONIAL COUNTRIES AND PEOPLES ADOPTED BY THE U.N. GENERAL ASSEMBLY IN 1960. THEY AGREED THAT THESE PEOPLES, WHO ARE FIGHTING FOR THEIR NATIONAL LIBERATION AND INDEPENDENCE, MUST HAVE THE RIGHT TO STEER THEIR DESTINIES IN CONFORMITY WITH THEIR OWN WILL.

THE SIDES ARE SUPPORTING THE STRUGGLE OF THE PEOPLE OF THE CONGO (LEOPOLDVILLE--TASSL IN DEFENSE OF THEIR FREEDOM AND INDEPENDENCE, AND AGAINST FOREIGN INTERVENTION IN THE DOMESTIC AFFAIRS OF THE CONGO.

THE SOVIET UNION AND INDIA DENOUNCE EXISTING COLONIALISM IN ANGOLA, MOZAMBIQUE, PORTUGUESE GUNEA, SOUTHERN RHODESIA, AND SOUTH ARABIA, AND EXPRESS RESOLUTE SUPPORT OF THE COURAGEOUS STRUGGLE OF THE PEOPLES OF THOSE COUNTRIES FOR FREEDOM AND INDEPENDENCE. THEY EXPRESSED DETERMINATION TO ACT IN CLOSE COOPERATION WITH EACH OTHER INSIDE AND OUTSIDE THE UNITED NATIONS TO SAFEGUARD THE ABOLITION OF COLONIALISM, WITHOUT FURTHER DELAY, AGAINST THE MANIFESTATIONS OF IMPERIALIST DOMINATION IN ANY PART OF THE WORLD.

THE SIDES SHARPLY DENOUNCED THE SOUTH AFRICAN GOVERNMENT'S RACIST POLICY OF APARTHEID, WHICH IS A CRIME AGAINST MANKIND. SINCE THIS POLICY CONTRADICTS THE U.N. CHARTER AND THE HUMAN RIGHTS DECLARATION, THE SIDES URGED THE STATES THAT HAVE NOT YET COMPLIED WITH THE U.N. RESOLUTIONS CONCERNING THE SOUTH AFRICAN REPUBLIC TO STOP ALL COOPERATION AND RELATIONS WITH THE GOVERNMENT OF THAT COUNTRY, WITH THE OBJECT OF (WORD INDISTINCT) GRANT THE LEGITIMATE RIGHTS TO THE POPULATION OF THE SOUTH AFRICAN REPUBLIC.

BOTH SIDES SUPPORTED THE CONVOCATION OF THE FORTHCOMING SESSION OF THE CONFERENCE OF AFRO-ASIAN COUNTRIES, AND EXPRESSED THE HOPE THAT IT WILL MAKE ITS CONTRIBUTION TO THE SOLIDARITY AND ACTIVIZATION OF ALL FORCES FIGHTING AGAINST IMPERIALISM, COLONIALISM, AND NEOCOLONIALISM, WILL FACILITATE (DW WORDS INDISTINCT) RELATIONS BETWEEN STATES WITH DIFFERING SOCIAL SYSTEM REST AND DEVELOP ON THE BASIS OF THE PRINCIPLES OF PEACEFUL COEXISTENCE, WILL COME OUT IN SUPPORT OF THE STRUGGLE FOR PEACE AND AGAINST AGGRESSION.

BOTH GOVERNMENTS WERE PLEASED TO NOTE THAT THE RELATIONS BETWEEN THE SOVIET UNION AND INDIA WERE PLEASED TO NOTE THAT THE RELATIONS BETWEEN THE SOVIET UNION AND INDIA ARE OF A FRIENDLY NATURE AND ARE BEING DEVELOPED ON THE BASIS OF THE PRINCIPLES OF PEACEFUL COEXISTENCE BETWEEN THE TWO COUNTRIES.

DEVELOPMENT OF SOVIET-INDIAN RELATIONS ON THE BASIS OF EQUALITY, MUTUAL BENEFIT, AND RESPECT FOR SOVEREIGNTY IS AN EXAMPLE OF THE SUCCESSFUL APPLICATION OF THE PRINCIPLES OF PEACEFUL COEXISTENCE BETWEEN STATES WITH A DIFFERENT SOCIAL ORDER.

THESE PRINCIPLES CREATE GREAT OPPORTUNITIES FOR EXTENSIVE COOPERATION BETWEEN THE SOVIET UNION AND INDIA IN THE STRUGGLE FOR THE MAINTENANCE AND CONSOLIDATION OF PEACE ON EARTH, FOR EASING TENSION IN RELATIONS BETWEEN STATES, FOR LIQUIDATING ALL SHAPES OF COLONIAL OPPRESSION AND FOR PEACEFULLY SOLVING INTERNATIONAL PROBLEMS. SUCH FOREIGN-POLITICAL COOPERATION ACCORDS WITH THE FUNDAMENTAL INTERESTS OF THE PEOPLES OF INDIA AND THE SOVIET UNION, AND THE INTERESTS OF ALL MANKIND.

VI

THE SIDES NOTED WITH SATISFACTION THAT ECONOMIC-TECHNICAL COOPERATION BETWEEN THE TWO COUNTRIES IS MANY-SIDED AND BEING SUCCESSFULLY IMPLEMENTED. THE SOVIET UNION RENDERS ECONOMIC-TECHNICAL ASSISTANCE TO INDIA IN THE CONSTRUCTION OF A NUMBER OF INDUSTRIAL AND OTHER PROJECTS IN INDIA'S STATE SECTOR, WHICH ARE OF PARAMOUNT IMPORTANCE FOR THE DEVELOPMENT OF THE COUNTRY'S INDEPENDENT ECONOMY.

THE PRIME MINISTER OF INDIA EXPRESSED THE PROFOUND GRATITUDE OF THE INDIAN GOVERNMENT AND PEOPLE FOR THE SOVIET UNION'S ECONOMIC-TECHNICAL AID TO INDIA IN THE FULFILLMENT OF ITS SECOND AND THIRD FIVE-YEAR PLANS. HE REAFFIRMED HIS GOVERNMENT'S DETERMINATION TO STRENGTHEN THE ECONOMY OF INDIA AND TO CONSIDERABLY STEP UP THE PACE OF DEVELOPMENT IN THE FULFILLMENT OF THE FOURTH FIVE-YEAR PLAN.

FOLLOWING AN EXCHAGEN OF OPINION THE SOVIET UNION EXPRESSED WILLINGNESS TO CONTINUE ECONOMIC-TECHNICAL COOPERATION DURING INDIA'S FOURTH FIVE-YEAR PLAN, SPECIFICALLY IN THE CONSTRUCTION OF SOME ENTERPRISES OF THE FERROUS AND NONFERROUS METAL INDUSTRY, THE ORE MINING AND OIL INDUSTRY, POWER ENGINERRING, IN THE TRAINING OF HIGHLY SKILLED INDIAN PERSONNEL AND ALSO IN THE DEVELOPMENT OF SEA FISHING.

(MORE)

19 MAY 2244Z DLG/DF

THIRD AND LAST ADD ) (SOVIET-INDIAN COMMUNIQUE

X X X OF SEA FISHING.

(TEXT) IN THIS CONNECTION THE SOVIET UNION WILL SEND TO INDIA IN 1965 SOVIET EXPERTS WHO JOINTLY WITH INDIAN EXPERTS WILL EXAMINE SPECIFIC QUESTIONS ON THE SPOT PERTAINING TO POSSIBLE PROJECTS FOR COOPERATION IN THE AFORESAID PERIOD, AND WILL DRAW UP APPROPRIATE RECOMMENDATIONS FOR THE CONSIDERATION OF THE GOVERNMENTS.

THE SIDES NOTED WITH SATISFACTION THE SUCCESSFUL DEVELOPMENT OF SOVIET-INDIAN TRADE WHICH IN RECENT YEARS HAS BEEN CONSIDERABLY EXPANDED BOTH IN VOLUME AND RANGE OF COMODITIES.

THE SIDES, DISPLAYING READINESS TO CONTINUE THE DEVELOPMENT OF MUTUALLY ADVANTAGEOUS TRADE, AGREED ON THE DESIRABILITY OF INCREASING TRADE BETWEEN THE SOVIET UNION AND INDIA BY APPROXIMATELY 100 PERCENT BY 1970 AS COMPARED WITH THE LEVEL ATTAINED IN 1964.

FOR THIS PURPOSE THE SIDES AGREED ON THE ADVISABILITY OF THE CONCLUSION OF A LONG-TERM AGREEMENT ON TRADE FOR FIVE YEARS, WHICH WOULD MAKE IT POSSIBLE, PARALLEL WITH THE EXPANSION OF TRADE, TO DEVELOP SOME BRANCHES OF INDUSTRY IN THE SOVIET UNION AND INDIA IN THE INTERESTS OF BOTH COUNTRIES. THE TWO GOVERNMENTS WILL INSTRUCT THEIR MINISTRIES OF FOREIGN TRADE TO MAKE APPROPRIATE PREPARATIONS FOR THE CONCLUSION OF THE AFORESAID AGREEMENT SO THAT IT CAN BE SIGNED IN AUGUST-SEPTEMBER 1965.

THE TWO SIDES NOTED WITH SATISFACTION THE STRENGTHENING OF THE CULTURAL AND SCIENTIFIC CONTACTS BETWEEN THE SOVIET UNION AND INDIA, AND ACKNOWLEDGED THAT THEIR FURTHER DEVELOPMENT WAS NECESSARY.

THE VISIT TO THE SOVIET UNION OF INDIAN PRIME MINISTER LAL BAHADUR SHASTRI HAS BEEN A MILESTONE IN THE FURTHER DEVELOPMENT OF THE FRIENDLY RELATIONS AND MUTUAL UNDERSTANDING BETWEEN THE USSR AND INDIA.

THE PRIME MINISTER OF INDIA EXPRESSED HIS PROFOUND GRATITUDE FOR THE WARM, FRIENDLY WELCOME ACCORDED HIM AND THE MEMBERS OF HIS PARTY IN THE SOVIET UNION.

THE PRIME MINISTER EXTENDED AN INVITATION TO LENID BREZHNEV, FIRST SECRETARY OF THE CPSU CENTRAL COMMITTEE, AND TO ALEKSEY KOSYGIN, CHAIRMAN OF THE USSR COUNCIL OF MINISTERS, AND ALSO RENEWED THE INVITATION TO ANASTAS MIKOYAN, CHAIRMAN OF THE PRESIDUM OF THE USSR SUPREME SOVIET, EXTENDED BY INDIAN PRESIDENT DR. RADHAKRISHNAN DURING HIS VISIT TO THE SOVIET UNION IN SEPTEMBER 1964, TO VISIT INDIA AT A CONVENIENT TIME. THESE INVITATIONS WERE GRATEFULLY ACCEPTED.

(ENDALL)

19 MAY 2255Z DLG/DP

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**U.S. DEPARTMENT OF STATE**  
**DIRECTOR OF INTELLIGENCE AND RESEARCH**

*Research Memorandum*

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RSB-47, May 6, 1965

*Thomas L. Hughes*

To : The Secretary  
Through: S/S  
From : INR - Thomas L. Hughes

*Thomas L. Hughes*

Subject: Soviet View of Shastri's Visit to Moscow; Likely Outcome

In the present paper we assess the status of Soviet-Indian relations on the eve of the visit of Prime Minister Shastri to Moscow (May 12-19), particularly in the light of the Soviet and Indian reactions to the cancellation of his Washington trip.

ABSTRACT

Moscow welcomes and will try to exploit the disruption of Prime Minister Shastri's visit to Washington on the eve of his long-planned trip to Moscow. The Soviet Government had shown concern over India's increasing appreciation of the US role in South-east Asia and warned Indian officials that failure to condemn American policy in Vietnam could adversely affect Soviet-Indian relations. In the new circumstances, the Soviets probably do not expect Shastri to abandon India's nonaligned policy. But they may hope to obtain some endorsement by him of Soviet views on various international issues, including Vietnam, and to enlist his cooperation in mobilizing Afro-Asian opinion on behalf of the Soviet version of a negotiated settlement of the crisis there. Moscow will want, thereby, to counter anticipated criticism from Peiping which, Moscow must calculate, views Shastri's visit with utmost suspicion.

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E.O. 13292, Sec. 3.4  
State Dept. Guidelines  
By *jc*, NARA, Date 5-24-04  
MAY 7 1965

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At the same time, Moscow is currently in a poor tactical position vis-a-vis India and cannot offer Shastri all the support he seeks. The posture of neutrality the Soviets are apparently assuming in the Rann of Kutch border clash between India and Pakistan, as well as their efforts to build relations with Pakistan, will arouse Indian apprehensions over the reliability of Soviet support on the Kashmir issue. Nor -- even though the visit is likely to add to Sino-Soviet friction -- is Moscow likely under present conditions to provide much in the way of a guarantee against the Chinese nuclear threat. Shastri will probably seek, and Moscow may agree to provide, additional military hardware. However, the Soviet military assistance program will probably continue to move at a deliberate pace, and the bulk of Soviet aid will remain in the economic rather than the military field.

Origins of Shastri Visit to Moscow

Plans for Shastri's forthcoming visit to the USSR date back to the invitation extended him by Soviet leaders when Indian President Radhakrishnan visited Moscow in September 1964. On that occasion Radhakrishnan also invited Mikoyan and Khrushchev to come to India. In January, after the change in the Soviet leadership, the Soviet Government informed New Delhi that Kosygin would be able to make the trip sometime during 1965, although the exact date has not yet been set. Moscow's attitude toward Nehru's successor remains somewhat ambivalent; the Soviets are concerned that Shastri may be more sympathetic to the West than was Nehru, but they want to assess him at first hand and to display their achievements to the little-travelled Prime Minister.

Disruption of US Visit a Soviet Opportunity

Moscow almost certainly regards the recent postponement and subsequent cancellation of Prime Minister Shastri's visit to the United States as an unexpected and welcome opportunity. The setback in US-Indian relations came some three weeks before Shastri's scheduled visit to Moscow (May 12-19), and at a time when the Soviets were showing concern over India's attitude toward the US policy in Vietnam.

During Indira Gandhi's visit to Moscow in February, Kosygin reportedly criticized India's attitude toward the Vietnam crisis and described it as a sharp departure from the policies of Nehru. He intimated that if India continued its drift toward a pro-US orientation, it could no longer count on Soviet support on issues important to India.

Nevertheless, the Indian Government failed to condemn the US involvement in Southeast Asia, including US air strikes against North Vietnam, and even showed some appreciation of the American position. On March 25, an official publication of the Congress Party gave a forceful endorsement of US policy in South Vietnam, characterizing the war in Vietnam as "a war waged by democratic forces against the Communists' lust of conquest." Two days later Foreign Minister Swaran Singh did express regret in parliament that the US "used gas" in Vietnam. However, the Indian Government praised President Johnson for responding positively to the initiative taken in March by the group of 17 nonaligned powers to bring the crisis to the conference table.

Moscow Will Exploit Opportunity

Moscow, understandably, did not publicize its unhappiness over India's posture on Vietnam. However, the Soviets moved quickly to exploit the postponement and subsequent cancellation of Shastri's visit to the United States by portraying it as evidence of strains in US-Indian relations resulting from alleged Indian opposition to the American policy in Vietnam. How far Moscow will succeed in exploiting its version of Indian views on Vietnam will depend in part on what the Indian Government says and does. Already the Soviet information media have seized upon the remarks Shastri made on April 20 at a reception of the Indo-Soviet Cultural Society, as evidence of developing friction between India and the US and of Indian sympathy for Soviet views.

India's Role Useful to Moscow

Moscow probably does not expect that Shastri will abandon his nonaligned posture. Moreover, India's determination to remain non-aligned continues to be useful to Soviet policy. In recent months Moscow has relied on New Delhi to act on behalf of Soviet participation in the forthcoming Afro-Asian Conference (Bandung II) and has also encouraged Indian endeavors toward the convening of an international conference to guarantee Cambodia's neutrality.

The Soviets in their handling of the crisis in Southeast Asia have also taken advantage of a certain community of interests with India. Both countries desire a settlement in Vietnam that will not leave China as the ultimate beneficiary. India has the further advantage, from the Soviet viewpoint, of being able to mobilize Afro-Asian support and at the same time of maintaining close contacts with the West. Accordingly, Moscow has been using India as a channel of communication to set the tone of Afro-Asian opinion, and has allowed New Delhi to search for ways of settling the crisis. Soviet commentaries have noted approvingly the initiative on Vietnam shown by the group of 17 nonaligned nations, of which India was an active member, although Moscow has gone along with Peiping and Hanoi in rejecting the US response to its proposal. It is also possible that the Soviets knew and gave at least tacit approval to the suggestion made by Indian President Radhakrishnan on April 24 that an Afro-Asian force be used to police the border between North and South Vietnam as a necessary step in the restoration of peace and stability. Radhakrishnan had conferred with Mikoyan a week earlier when he stopped briefly in Moscow en route home from a visit to London.

At the same time, the Soviets can be expected to capitalize on Shastri's discomfiture over the disruption of his US visit by preparing a royal reception for him and then publicizing the contrasting treatment accorded him by the two countries. Moscow may hope that as a result of his experience Shastri will prove more receptive to Soviet views on the crisis in Southeast Asia and more willing to endorse Soviet positions on various international issues. Consequently, it seems likely that the Soviets will make considerable effort to include in the final communique on the visit passages on Vietnam which will at least implicitly, and perhaps explicitly, lay the blame for the crisis at the door of the US.

The Soviets would see no great inconsistency and certain advantages in trying to have Shastri go on the record with at least implied criticism of US policy while displaying a certain moderation in their private discussions with him. Their purpose would be publicly to portray the US as the intransigent party and privately to suggest to Shastri that he try his hand at somehow persuading Washington of the dangers of US actions against North Vietnam.

Moscow would also feel the need to maintain a respectable posture of verbal militancy against the West because of the effect that Shastri's presence in Moscow will have on Sino-Soviet relations. The Soviets are aware that Peiping regards Shastri's trip with suspicion, and they will try to avoid giving China grounds for charges that the Soviet leadership used India as an intermediary with the West for the purpose of betraying the National Liberation Movement in Southeast Asia.

#### Soviets Distressed by Indian-Pakistani Clashes

The initial Soviet reaction to the border clash between India and Pakistan in the Rann of Kutch area has been one of muted distress. TASS carried factual reports quoting both Indian and Pakistani officials on the desirability of negotiating a prompt end to the fighting. On April 28, Izvestiya expressed concern, carefully avoided supporting either side, and warned that the West would attempt to benefit from the dispute.

This Soviet position is consistent with the pattern of Soviet reaction to other recent border disputes involving Afro-Asian states, as well as with the Soviet Government's declaration of December 31, 1963, on the Peaceful Settlement of Territorial Disputes. In general, Moscow has taken the view that such disputes distract the attention of the disputants from more important

(from the Soviet viewpoint) problems of combatting local manifestations of Western colonialism and imperialism.

The fighting between India and Pakistan complicates Moscow's efforts to improve relations with Pakistan while maintaining close and friendly relations with India. The Soviets are presumably aware that the position they take in the present dispute will affect their future relations with both India and Pakistan. If Moscow continues to hold, as it is currently doing, a posture of neutrality and limits its involvement to a call for a negotiated settlement on terms acceptable to both sides, Pakistan will be pleased and India apprehensive. The Indians cannot help but wonder what position Moscow would have taken if the fighting had occurred over Kashmir rather than the Rann of Kutch.

Ayub Khan, when he visited Moscow last month, failed to persuade the Russians to make any public statement that would alter their long-standing support of India on Kashmir. Nevertheless, the Indians have been concerned during the past year or two with occasional signs that Soviet support on this issue was not as firm as it had been previously. If the Soviets desire to extricate themselves from their commitment to support India on Kashmir, but want to do this discreetly, without the unpleasantness of documenting their shift on the public record, they may calculate that by remaining neutral in the Rann of Kutch dispute they now have that opportunity. A posture of noninvolvement carries the added advantage of allowing Moscow to exploit the discomfiture of the US over the armed clashes between two recipients of US military assistance.

Even if there is a formal cease-fire by the time Shastri visits the Soviet Union, the acute state of Indian-Pakistani relations is bound to be brought up in Moscow. The larger implications of the Soviet position may provide both the Soviet hosts and the Indian delegation with some uncomfortable moments, and even if the Soviets offer strong verbal assurances the Indians would be left with a residue of apprehension.

#### China's Nuclear Program

China's emergent nuclear capability poses one of India's most important long-range foreign policy problems. Shastri is likely to again raise with the Soviets the question of the USSR's participation in an arrangement to guarantee India against the Chinese nuclear threat, thus putting a difficult problem to Soviet policy-makers.

Moscow would not wish to rebuff the Indians on an important issue and perhaps damage Soviet relations with Delhi. Moreover, sobered by their experience with aiding China's nuclear program in years past, the Soviets are sensitive to the problem of nuclear proliferation and would probably prefer the Indians to stay out of the nuclear weapons business. On April 30 Pravda gave further evidence of Soviet sensitivity on the subject by presenting the idea of India becoming a nuclear power as an imperialist plot. It alleged that as a result of the crisis in Indian-Pakistani relations, Indian reactionaries had raised the question of the need for India to procure nuclear arms, even at the cost of joining the imperialists' military bloc.

Nevertheless, Moscow is likely to be reluctant to pay the costs of dissuading India from going into the manufacture of nuclear weapons. In particular, while the Shastri visit is likely to draw fire from Peiping and add a further irritant to Sino-Soviet relations, the Soviets would not wish to take part in a formal alignment directed against the Chinese. Nor would they wish to condone an increased US or UK military commitment to the area.

Tactically, Moscow's unwillingness to take part in any arrangement which smacked of a coalition with the imperialists against Communist China would be heightened at this juncture. The Soviets have been using the issue of communist unity in the face of the imperialist threat in Vietnam as their principal argument in attempting to isolate the Chinese in the communist world, and would be less willing than ever to undercut their professions of loyalty to communist solidarity by undertaking a formal commitment to India and to the West against China. Indeed, in his April 26 speech to the UN Disarmament Commission, Soviet delegate Fedorenko dismissed the notion of a nuclear umbrella over Asia as a "rotten idea," thus tarring the general principle of a guarantee against Chinese nuclear aggression with the same brush he used against American and allied foreign bases and deployments. Fedorenko did not explicitly mention either India or China in this connection, but in effect dismissed the Chinese threat to India when he said that if there was a threat to Asia, it was an American threat. Moreover, in the April 29 communique marking the end of Gromyko's Paris visit, Moscow endorsed the idea of disarmament negotiations among the five nuclear powers, thus putting the Soviets on record -- by virtue of arithmetic though not of specific reference -- as accepting China's status as a nuclear power.

Given the limits imposed by Moscow's reluctance either to refuse to give Shastri any support at all or to become involved in any measure clearly directed at the Chinese, Moscow may attempt to cope with Shastri's request by trying to find a more general proposition, perhaps one which had an anti-Western angle. Apart from attempting to enlist his support for a general denunciation of nuclear proliferation with a specific thrust against NATO nuclear arrangements, the Soviets might well develop a proposal on non-use of nuclear weapons. Moscow's old saw received renewed attention in Fedorenko's April 26 speech and in the May Day slogans published April 22, and the Soviets already have the Chinese on record as advocating a ban on use of nuclear weapons as the first step toward total nuclear disarmament.

In their private response in February to an Indian approach on the question of a guarantee, the Soviets raised the notion of a declaration by nuclear powers that they would not use nuclear weapons against non-nuclear powers as a first step toward a broader non-use commitment. The Soviets might calculate that the Indians are sufficiently interested in getting even a declaratory statement about non-use pinned down more formally that they would seek the support of Washington and London for the Soviet proposal. Moscow might also calculate that, if the US and Britain agreed, it would get the credit for the original proposal, or, if the West refused, Shastri would blame the West more than the Soviets. In any case, such a declaratory statement would actually provide the Indians with no greater assurances than they already have in Communist China's unilateral declaration that they would not use nuclear weapons first. Thus, although the Indians might support such a Soviet proposal on non-use, they would not consider it an adequate substitute for a joint guarantee.

#### Soviet Aid to India

Unable to offer India a nuclear umbrella, Moscow may be slightly more forthcoming in the area of conventional military aid. On April 24, a delegation of the Indian Defense Ministry departed for Moscow to sign additional agreements for the construction of plants in India to manufacture MIG-21's. Although Soviet military equipment has begun to arrive in India, there have been repeated complaints from Indian officials over the slow pace of negotiations and deliveries. The conclusion of agreements for the construction of MIG factories will not necessarily accelerate the Soviet military assistance program.

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Moscow has never shown much enthusiasm for the idea of providing military aid to India. The Soviets were forced reluctantly to compete with the US and the UK in building up India's military capabilities as a result of the Chinese attack on India. But they find their role of acting in tandem with the West in arming a noncommunist state against a communist state to be ideologically embarrassing. Nor is there any need for Moscow to arm India for the purpose of using her in support of "national liberation struggles," as the Soviets have done in the case of the UAR and Indonesia. Soviet military aid to India is therefore likely to continue at a deliberate pace. Although Shastri will probably seek, and Moscow may agree to provide additional military hardware, the bulk of the Soviet aid effort will remain in the economic rather than the military field.

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Moscow has never shown such enthusiasm for the idea of providing military aid to India. The Soviets were forced reluctantly to compete with the US and the UK in building up India's military capabilities as a result of the Chinese attack on India. But they find their role of assisting in tandem with the West in aiding a noncommunist state against a communist state to be ideologically embarrassing. Not to mention any need for Moscow to arm India for the purpose of using her in support of "national liberation struggles" as the Soviets have done in the case of the UAR and Indonesia. Soviet military aid to India is therefore likely to continue at a deliberate pace. Although Soviet aid will probably seek and Moscow may agree to provide additional military hardware, the bulk of the Soviet aid effort will remain in the economic rather than the military field.

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The Communist World

NEW SOVIET-INDIAN ARMS DEAL

Indian Defense Minister Chavan's recent visit to Moscow produced two tangible results: a pact covering an estimated \$50 million worth of Soviet military equipment for India, and final arrangements for producing MIG-21 jet aircraft in India. With the \$100-million credit apparently involved in the MIG deal, the value of these transactions approximates that of India's past military credits from the USSR.

Chavan's mission was as noteworthy for those items not purchased as for those that were. Moscow had indicated willingness to discuss, and did display, all the military equipment which India seeks. The Indian mission, however, did not commit itself on artillery or naval craft--including a submarine which India wants because Pakistan has one. The British offers of naval aid, made just prior to Chavan's departure for Moscow, presumably will now be investigated. The Indian mission also did not purchase additional surface-to-air missile (SAM) battalions, apparently holding to an earlier negative decision based on cost.

New Delhi's purchases were limited to more aircraft and what was described as a onetime order for light tanks. Most of the equipment will be delivered during 1965.

The MIG factory now is scheduled to begin "production" (six per month) in mid-1967. It is being emphasized, however, that the process will be essentially assembly, and even though eventually many of the parts are to be produced in India, production will always depend on some imported components.

Political considerations were an important factor in the Indian decision to press forward on arms deals. Even before the Chinese attack in October 1962, the Indians viewed Soviet military aid as evidence of tacit Soviet support in India's developing quarrel with China. Indians believe the aid contributes to the Sino-Soviet rift, thus helping to weaken China's hand in Asia. New Delhi also hopes, on the eve of its first nonaligned conference without Nehru, to re-emphasize India's posture of nonalignment by balancing the continuing large-scale military aid Chavan recently negotiated in Washington with equipment from Moscow.

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## NEAR EAST AND SOUTH ASIA

SOVIET MILITARY AID TO INDIA

The most important elements of the military equipment agreement concluded recently with the Soviets by Defense Minister Chavan in the Soviet Union are the provision of 3 squadrons (38) of MIG-21's, plus trainers, and help with the assembly and production in India of more MIG-21's. The Indians have been attempting to obtain MIG-21's from the Soviets for two and a half years and had earlier informed us they made a "governmental commitment" over two years ago to produce them in India. The agreement also provides for the sale of some 80-90 light tanks and 20 helicopters.

The supply of tanks will bring the Soviets into a field which, up to now, has been a Western preserve. (Chavan claims though this is only stop-gap procurement.) Discussions of naval items were, as the Indians stated beforehand, kept on an exploratory basis. The British recently announced their agreement to provide the Indians with long term credits for frigate construction facilities in Bombay.

The Soviet equipment will be sold on favorable credit terms (2 percent, 10 years) for rupees, which in turn can be used by the Soviets for the import of Indian goods.

Nonalignment Context - In an effort to put military assistance in the context of nonalignment, Chavan in his presentation to Parliament on September 21, also reported on the results of his trip to the United States last summer and referred to future talks with the British. In a generally accurate account, Chavan mentioned military grant and credit assistance from the United States in Fiscal Year 1964 and Fiscal Year 1965. He dealt with the question of long-term US aid only by saying "US authorities have agreed that periodical discussions should be held... to determine further US assistance...."

--Current Foreign Relations, Issue No. 39, 9/23/64

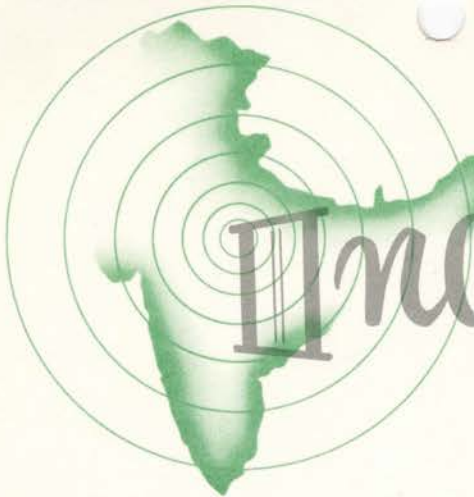
AFGHANISTAN ADOPTS NEW CONSTITUTION

The Loya Jirga (Grand Assembly) approval of the new constitution on September 19 marks a turning point in Afghan history which promises to give the country both a framework and hopeful substance for a more progressive state under a constitutional monarchy. The promulgation of the document by the King is considered only a formality and is expected in a few days. Its immediate result will be the dissolution of the old Parliament and the present Grand Assembly. (Of the 450 Jirga members about 170 are members of the National Assembly.

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E.O. 13292, Sec. 3.4  
State Dept. Guidelines  
By jc, NARA, Date 5-29-04

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# IndiaGRAM

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No. 160

Bhadra 31, 1886 (Saka)  
September 22, 1964.

## DEFENSE MINISTER CHAVAN'S STATEMENT ON HIS VISITS TO U.S.A. AND U.S.S.R.

The Minister of Defense, Mr. Y.B. Chavan, made the following statement in Parliament on September 21 on his recent visits to the United States and the U.S.S.R.:

This statement is a brief report for the information of Parliament on my visits to the United States of America in May, 1964, and the U.S.S.R. during August/September, 1964.

The object of my visit to the United States of America was to secure material and financial assistance for the implementation of India's Five-Year Defense Plan covering the period April 1964-March 1969 to which I had made a reference during the debate on the demands for grants of the Defense Ministry in March 1964. There was also a long standing invitation from the Hon'ble Robert S. McNamara, the U.S. Defense Secretary, to visit the United States to discuss problems of mutual interest.

I also received later an invitation from Marshal Malinovsky, the Defense Minister of the U.S.S.R. I took this opportunity to discuss with the Soviet Government various matters connected with the implementation of our defense plan.

The task of re-equipping and modernizing our armed forces is a stupendous one. In order to ensure systematic development of our defense potential in the light of the threat facing the country, earlier this year we prepared a Five-Year Defense Plan. Broadly, the plan envisages: -

- (a) Maintenance of a well-equipped army with the strength of 825,000 men;
- (1) Maintenance of a 45-squadron air force including programs of re-equipment and replacement of older aircraft like the

Vampire, the Toofani and the Mystere by more modern aircraft and improvement of the air defense, radar and communication facilities;

(c) A phased program for replacement of over-age ships of the navy;

(d) Strengthening the defense production base to eventually meet the requirements of arms and ammunition of our armed forces;

(e) Improvement of road communications in the border areas;

(f) Improving organizational arrangements in the fields of provisioning and procurement, storage, training, etc., to ensure the most economical utilization of the funds allotted for defense.

#### Foreign Exchange Major Constraint

The above programs of modernization of the defense forces and improvement of the facilities for logistic support of the armed forces would call for additional outlays on defense. The increase in terms of internal resources will be of the order of about 10 to 12 percent over the current level of the defense expenditure. But the total requirement of foreign exchange for the defense plan has been assessed at about three times the normal allocations which can be made to defense from our own export earnings. The major constraint, therefore, which would affect the implementation of the defense plan is the availability of foreign exchange in time to meet the import requirements of various constituents of the plan. As the economic development plans also require heavy investments of foreign exchange in order to ensure that the progress of India's economic development is not affected, it is necessary to secure assistance from friendly foreign countries for the implementation of the defense plan.

I reached Washington on May 18, 1964 and had discussions with the U.S. Secretary of Defense, Hon'ble Robert S. McNamara and other officials of the Administration. I also had discussions with Secretary of State Dean Rusk and Mr. Averell Harriman. I had also opportunities to meet important members of the U.S. Senate and the House of Representatives.

The discussions held with the U.S. Government were very friendly and disclosed large areas of agreement in respect of our assessment of the Chinese threat and the measures required to meet it. There is considerable understanding in the U.S. Administration of the special problems we are faced with and a desire to assist in building up a defense potential without adversely affecting our economic development plans.

Assistance From U.S. Government

As the result of these discussions the U.S. Government have agreed to provide to the Government of India the following assistance: --

(i) An immediate credit of \$10 million for the purchase of defense articles and services. The main items to be financed from this credit relate to the replacement and modernization of plant and equipment in the ordnance factories;

(ii) The military grant assistance will be continued by the U.S. Government during their fiscal year 1965 (July 1964 - June 1965) at the same level as during the fiscal year 1964. This assistance includes such items as continued support for the Indian mountain divisions, air defense communication equipment, transport aircraft support and road-building equipment for the Border Roads Organization. As this assistance would be in kind, it is not possible to assess its value financially;

(iii) In addition a further credit to the extent of \$50 million during the fiscal year 1965 would be available. Among other things, the artillery shell plant to be set up at Ambajhari will be financed from this credit.

The successful implementation of the defense plan would require continued assistance from the U.S.A. at the current levels in respect of both grant assistance and credit assistance. The U.S. authorities have agreed that periodical discussions should be held between our two countries to determine further the U.S. assistance in relation to India's defense effort.

I also discussed the question of supply of high performance fighter aircraft for the Indian Air Force, the need for which was established in the exercise Shiksha held last year.

The U.S. authorities, while discussing the supply of such aircraft under the military assistance program, pointed out that as we had already plans for introducing in the I.A.F. the MiGs and the HF-24s, the question of introducing another type of supersonic aircraft may have to be studied further. In the circumstances no final decision was taken. The U.S. authorities offered to send a team of experts to determine whether they could be of assistance in the further development of this aircraft and in its production. The team has since visited India and has submitted a report which is under examination.

On the question of supply of naval vessels for replacing over-age ships in our fleet, it was agreed that our requirements in this field should first be discussed with the British Government.

Apart from the grant assistance and the credit assistance which the U.S. Government have agreed to provide during the fiscal year 1965 and which they are willing to consider for subsequent years, I attach considerable importance to the fact that the need for strengthening the defense production base in India has been fully recognized by the U.S. authorities and a substantial portion of the credits already offered will be utilized for the modernization of Indian ordnance factories and for setting up the artillery shell plant at Ambajhari.

During my stay, I visited a number of defense installations and training establishments in the U.S.

On hearing of the sudden passing away of Jawaharlalji, I cut short my visit on May 28, 1964. The meeting with President Johnson scheduled for May 29, 1964, could not take place.

#### Agreement With Soviet Union

As the Hon'ble Members are aware, we had concluded an agreement in August, 1962, with the Soviet Union for establishing the production of MiG-21 fighter aircraft. While we have proceeded with the civil works and preparation of project reports, it was found that there were several important fields not covered by the original agreement in which without additional Soviet assistance it would not be possible to establish early production of the aircraft. It was also our intention to explore the possibilities of securing assistance in respect of certain other equipments included in the plan.

I reached Moscow on August 28, 1964. I had discussions with the Defense Minister, Marshall Malinovsky, and senior members of the State Committee for Foreign Economic Relations. I had also discussions with Chairman Khrushchev.

These discussions were most cordial. The Soviet Government fully appreciated our policy of non-alignment. They recognized our need for the strengthening of our defense potential and also our economic difficulties. It was explained that we attached considerable importance to the early establishment of the MiG complex of factories and the production of MiG aircraft and associated equipment. Our requirement for the supply of a certain number of MiG-21 aircraft to meet the needs of the Air Force until the production of the aircraft starts in the country and the requirement for light tanks was also discussed. As a result, the following agreements have been concluded with the Soviet Government:

- (i) As an extension of the agreement concluded in August, 1962, the Soviet Government have now agreed to provide plant and machinery, jigs and tools, etc., of Soviet manufacture to facilitate early establishment of the MiG complex of factories. They have also agreed that the Soviet technical teams will be more

closely associated in the preparation of detailed working projects and production schedules. Arrangements for the supply of major assemblies, sub-assemblies and raw material from the Soviet Union for the production of initial batches of MiG-21 aircraft have also been finalized.

(ii) Agreement has been concluded for the purchase of a certain number of MiG-21 aircraft and associated equipment. Supplies under the August 1962 agreement and the present agreement would enable us to re-equip three of our fighter squadrons with MiG-21 aircraft.

(iii) The Soviet Government have also agreed to the supply of a certain number of light tanks and associated equipment.

The above purchases will be paid for in rupees which can be used by the Soviet Government for purchases of goods and articles in India according to the existing arrangements.

A contract has also been concluded with the Soviet Export organization for the supply of 20 Mi-4 helicopters.

The Soviet authorities provided facilities to me and to the naval officers who accompanied me to see the performance of the naval craft, including submarine, which they are in a position to supply to India. The technical details made available during this visit are under study. It may take some time before a decision is reached in the matter, as apart from technical evaluation, the financial feasibility of making additional purchases would require review.

#### British Assistance For Frigates

I had planned to spend a few days in the U.K. at the invitation of the British Government on my return journey from the United States. I could not do so. If convenient to the British Government, I hope to visit the United Kingdom sometime in November-December, 1964.

As I have mentioned earlier, I intended to discuss with the British Government particularly our requirement for destroyers. As the Hon'ble Members are aware, the Indian Navy is at present equipped with British-built ships. Several of our destroyers are over-age and are due for replacement. We are intending that some of the ships required for such replacement should be built in this country itself and we have been exploring ways and means of securing the necessary financial assistance and foreign collaboration. I am happy to be able to say that the British Government have agreed to provide financial assistance towards the reconstruction there of three Leander-class frigates. We have accepted this offer in principle and negotiations for a loan agreement as also for a collaboration agreement with Vickers Limited are progressing.

Basic Facts Underlying Defense Plan

I wish to conclude my statement by re-stating certain basic facts underlying our defense plan and program to secure foreign assistance. Our policy in meeting the requirements of our defense is necessarily guided by our foreign policy of non-alignment which will continue to govern our actions in the field of defense procurement. In both the U.S. and the U.S.S.R., there was complete recognition of this policy. Our defense plan identifies the requirements of the defense forces to enable them to discharge the task assigned to them. These carefully worked out requirements guide us in seeking assistance from friendly sources where it is available.

Apart from the U.S. and the U.S.S.R., other countries - such as, Australia, Canada, Yugoslavia - have come to our help in our time of need. I would like to emphasize that we have not the slightest intention of playing military assistance from one country against military assistance from another. It was heartening for me to find that in both the great countries that I visited there was full appreciation of our point of view and desire to assist.

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13

GENERAL

1. Recent Soviet-Indian Arms Deal

The substance of the arms agreement concluded by India with the USSR during Defense Minister Chavan's recent trip to Moscow is now available,

The agreement provides for the sale to India of some 80-90 Soviet light tanks, presumably the 14-ton PT-76s. This is the first time India has procured substantial equipment for its ground forces from a Communist country.

In addition, the Soviets agreed to complete the assembly line for MIG-21s in India by mid-1967. The Soviets will also deliver "somewhat less than 40" advanced--but not all-weather--MIG-21s in 1965. These, together

with 10 MIG-21s already in hand or on order, will make up three squadrons.

Final details on the three SA-2 complexes ordered previously by India were also worked out!

The supply of artillery was discussed. The Soviets also offered submarines and other warships but the Indians did not commit themselves on these items.

the stiff terms demanded by the Soviets were a factor discouraging Indian acceptance of artillery. The MIG and SA-2 offers, on the other hand, only require payment at two percent over a 10-year period from the date of delivery.

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21 Sept 64

CURRENT INTELLIGENCE DIGEST

Page 1

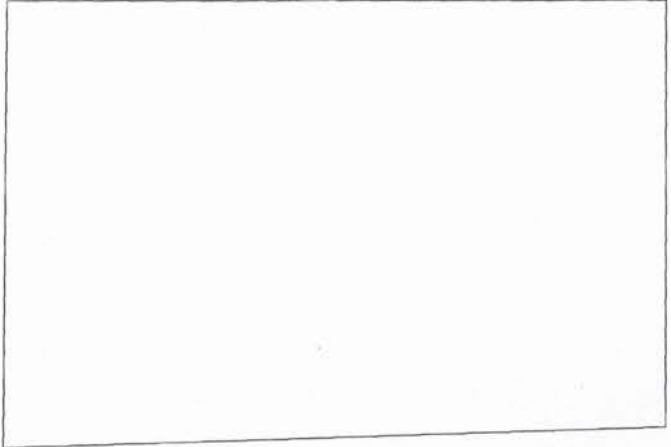
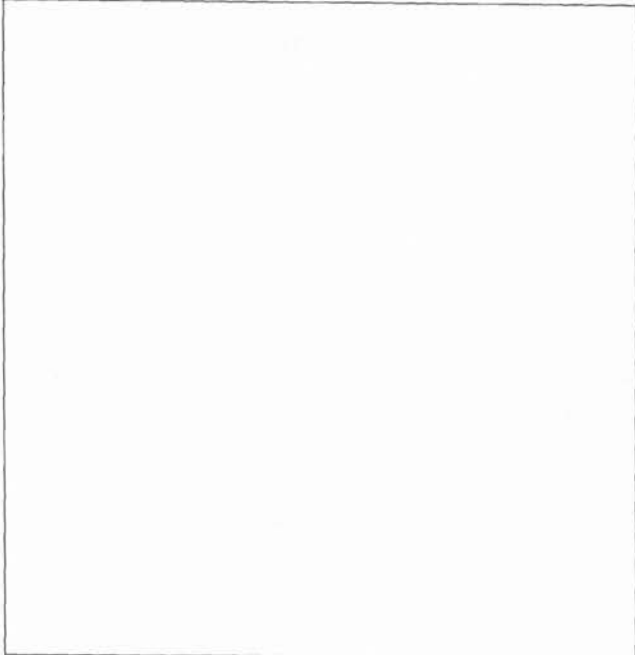
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E.O. 13526, Sec. 3.5

NLJ/RAC 12-248

By LCK NARA, Date 03-23-2014

2. Soviets May Be Using New, High-resolution Camera System in Reconnaissance Satellites



At least one reconnaissance satellite a month has been launched from Tyuratam since April.

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CENTRAL INTELLIGENCE AGENCY  
WASHINGTON, D. C.  
OFFICE OF THE DEPUTY DIRECTOR (INTELLIGENCE)

29 July 1964

*Handwritten signature*

MEMORANDUM FOR: Mr. Robert Komer  
White House Staff  
Executive Office Building

SUBJECT : Soviet Bloc Aid to India

Although we start off in the attached memorandum by confessing that the impact of Soviet Bloc aid on the Indian economy is difficult to assess, I think you will be interested in our economic analysts' discussion of the subject. We continue to question how much political leverage the Soviets and their allies can expect to derive from their aid program, but it is noteworthy that this aid is concentrated in a major area toward which the United States has been reluctant to contribute, i.e., industrial development in the public sector. There is a good two-page summary at the head of the report; a slightly longer section discussing future prospects is on page 12.



PAUL A. BOREL  
Assistant Deputy Director  
(Intelligence)

Attachment

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GROUP 1  
Excluded from automatic  
downgrading and  
declassification

JUL 30 1964

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E.O. 13526, Sec. 3.5

NLJ/NAC 12-248

NARA, Date 03-23-2014

By *lhb*

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15  
EO 13526 3.5(c)

Economic Intelligence Memorandum

THE ROLE OF THE SOVIET BLOC  
IN THE INDIAN ECONOMY

CIA/RR EM 64-23

WARNING

This material contains information affecting the National Defense of the United States within the meaning of the espionage laws, Title 18, USC, Secs. 793 and 794, the transmission or revelation of which in any manner to an unauthorized person is prohibited by law.

CENTRAL INTELLIGENCE AGENCY  
Office of Research and Reports

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E.O. 13526, Sec. 3.5

NLJ / RAC 12-248

By UCB NARA, Date 03-23-2014

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~~S E C R E T~~

~~S-E-C-R-E-T~~THE ROLE OF THE SOVIET BLOC IN THE INDIAN ECONOMY\*Summary and Conclusions

The over-all impact of the Bloc\*\* aid program on the Indian economy is difficult to assess. The Indian government was committed to a socialist form of development before Bloc aid began, and although the USSR provided some advisory assistance to India in the formulation of its Second Five Year Plan (1956-61),\*\*\* there is no evidence that the USSR has exerted any direct influence on Indian planning or that Indian dependence on Bloc aid and trade is or will be sufficient to provide any political leverage. In the short run the continued development of the Indian economy, of course, is dependent on Bloc aid as it is dependent on all foreign aid. At the same time, inasmuch as Bloc aid is primarily for industrial development in the public sector -- an area to which the West is reluctant to provide assistance -- it does fill a vital need in Indian plans, and its withdrawal would require some major readjustments and possibly even force a cutback in development in the public sector. Furthermore, if India is able to establish significant markets in the Bloc for increased exports of manufactured goods that cannot be easily sold in the West, Bloc-Indian trade ties could grow considerably.

During India's Second and Third Five Year Plans (1956-66) the US \$1 billion<sup>†</sup> in economic credits committed by the Bloc countries has made a valuable contribution to the establishment of a government-owned industrial sector in the country. While the Bloc's share of total foreign aid is running about 10 percent, it is about 40 percent of total aid for industrial development of the public sector. Indian planners now are in the process of formulating the fourth and most ambitious Five Year Plan (1966-71) -- which is expected to project total aid requirements at least as high as those of the third plan (some \$6 billion to \$7 billion). For this new plan the USSR has announced recently that sizable credits will be extended soon, including possibly \$300 million for a steel mill at Bokaro.

Although the worldwide decline in new Soviet aid extensions to the less developed countries in the past 2 years suggested some reluctance to undertake additional large-scale aid commitments in the Free World, it is likely that India will remain a prime target for the Soviet foreign economic offensive. At the same time, a large new economic

\* The estimates and conclusions in this memorandum represent the best judgment of this Office as of 15 June 1964.

\*\* The term Bloc as used in this memorandum refers to the Soviet Bloc.

\*\*\* India's fiscal year runs from 1 April to 31 March, and the Plan years coincide.

† Dollar values are given in current US dollars throughout this memorandum.

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credit from Czechoslovakia and offers of credits from Hungary, Rumania, and East Germany indicate that the Satellites also intend to maintain their participation in Indian economic affairs. It is likely, however, that total new Bloc aid commitments to India will not be substantially greater in value than during the plan period 1961-66 -- that is, about \$500 million from the USSR and \$125 million from the European Satellites. The Bloc's relative role among India's foreign contributors, therefore, probably will remain at about 10 percent. As in the past, aid is expected to be tied to public development projects, primarily in the heavy industrial sector, although there may be some shift toward aid for establishment of consumer goods industries in the public sector.

The role of the Bloc in the economic aid picture probably will remain fairly constant, but in the fields of trade and military assistance the Bloc is likely to expand its activities. As a part of India's current military buildup, the USSR is expanding both the size and the scope of its military assistance to India. Under agreements already concluded or under active negotiation, the USSR will supply possibly as much as \$200 million to \$300 million worth of such assistance to India within the next several years.

India's drive to increase export earnings has met with notable success in the Bloc area. In the 2 years 1962 and 1963, exports to Bloc countries increased by \$80 million compared with a total growth in exports of little more than \$200 million. Furthermore, if projected Bloc trade targets are met, the total trade turnover between India and Bloc countries could double by the end of 1966 (in the first year of the fourth plan). Growth at this rate means that the Bloc share of total trade could increase from 10 to 20 percent if, as expected, India has difficulty increasing its exports to countries of the Free World.

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~~SECRET~~I. Current Status of the Bloc Aid OffensiveA. Economic Assistance1. Extensions

Since early 1955, or just before the beginning of India's Second Five Year economic development plan (April 1956 - March 1961), the Bloc countries have sought to enhance their prestige in India through the provision of large-scale financial, technical, and, more recently, military assistance. Excluding the recently announced aid for the Bokaro steel plant the Bloc has committed US \$1 billion in long-term economic development credits, about one-fifth of its total foreign aid extensions to the less developed countries. The contribution of Bloc aid projects to India's productive capabilities in selected industries is indicated in Table 1.\*

Bloc foreign aid, extended mostly by the USSR, Czechoslovakia, and, more recently, Poland, is making a major contribution to the establishment of a public sector industrial complex in India. Although Bloc aid donors have contributed only about 10 percent of the total foreign aid resources available to India (see Table 2\*\*), they have supplied almost 40 percent of the aid for India's planned industrial development in the public sector.\*\*\* Free World aid commitments, which in recent years have been running at over \$1 billion per year -- plus the US surplus commodity aid under Public Law 480 -- also are largely for development in the public sector but mainly for infrastructure projects and nonproject imports. Domestic investment revenue for development in the public sector is acquired primarily by government borrowings from the public, by deficit financing, and from US Public Law 480 rupee funds. Although the Third Five Year Plan projected large investment sums from dividends and profits of existing enterprises in the public sector, the actual contribution of these endeavors has been running at only about \$5 million per year. The Third Five Year Plan also projected that substantial investment funds would accrue to the central government from additional taxation; however, the defense effort has absorbed these funds. Domestic investment for Bloc projects, therefore, probably comes almost entirely from borrowings from the public and from deficit financing. The Public Law 480 rupee funds accruing from the sale of US surplus agricultural commodities to India and subsequently loaned or given to the Indian government are specifically allocated to mutually agreed projects.

\* P. 4, below.

\*\* P. 5, below.

\*\*\* Some \$685 million in Bloc aid (\$175 million carried over from the Second Five Year Plan and \$510 million for the Third Five Year Plan) have been allocated to industrial projects (including power projects) in the public sector. The Third Five Year Plan envisages total aid needs for all public industrial projects at \$1,806 million. 1/ (For serially numbered source references, see the Appendix.)

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Table 1

India: Relative Importance  
of Selected Soviet Bloc Economic Aid Projects to Development a/  
as of the End of the Third Five Year Plan

<u>Type of Project</u>	<u>Capacity as of the End of the Third Five Year Plan <u>b/</u> (1 April 1966)</u>	<u>Soviet Bloc Project Additions to Capacity as a Percent of Total Expected Capacity <u>c/</u></u>
Steel	9.2 million metric tons	26
Machine tools	63 million US \$	20
Petroleum refining <u>d/</u>	10.5 million metric tons	26
Electric power <u>e/</u>	12.7 million kilowatts	14
Heavy machine building -- steel and chemical	80 thousand metric tons	100
Coal mining machinery	45 thousand metric tons	100

a. 2/

b. Estimate.

c. With the exception of steel capacity of 1 million metric tons at Bhilai, which was added in the Second Five Year Plan (1956-61), Bloc additions to capacities were or will be added during the Third Five Year Plan (1961-66).

d. By the end of 1966 it is expected that India will have refining capacity of 14.5 million metric tons -- 6.75 million metric tons provided by the Bloc, all in the public sector.

e. One-fourth of total Bloc addition to capacity is being supplied under trade agreements, not on credit deliveries.

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Table 2

India: Foreign Economic Aid  
1951 - May 1964

Million US \$				
Donor	Foreign Economic Aid			
	Total	Credits and Loans	Grants	US Public Law Aid
Total	<u>10,965</u>	<u>7,817</u>	<u>637</u>	<u>2,511</u>
Free World	<u>9,899</u>	<u>6,754</u>	<u>634</u>	<u>2,511</u>
Consortium countries a/	9,787	6,700 b/	576	2,511 c/
Of which:				
US	5,627	2,783	333 d/	2,511
Other	112	54	58	
Soviet Bloc	<u>1,066</u>	<u>1,063</u>	3	
USSR	811	809 e/	2	
Czechoslovakia	180	179	1	
Poland	62	62		
Rumania	11	11		
East Germany	2	2		

a. Including aid from all the countries and international organizations that since mid-1961 have formed the "Aid India" consortium -- the IBRD, the IDA, the US, the UK, Canada, West Germany, Japan, France, Italy, Austria, Belgium, and the Netherlands.

b. Including total pledges of aid, about \$700 million of which had not been allocated by agreements as of 31 December 1963.

c. Total sales authorizations, the rupee proceeds of which have been in part authorized for loans (\$1,130 million) and grants (\$814 million) to India.

d. Excluding public law grants.

e. Excluding aid for the Bokaro steel mill.

With the exception of some \$12 million extended by Czechoslovakia and East Germany for imports to the private sector, all the Bloc aid has been committed for state-owned industrial, mineral, and power projects. About half, or \$475 million, is being used for construction of eight heavy industrial plants, and the remainder is

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primarily for petroleum development (\$180 million), power development (\$145 million), and mining development (\$50 million). Some \$25 million is to be utilized for construction of consumer industries -- four pharmaceutical plants and an ophthalmic glass plant -- in the public sector. Only a small grant of \$1.5 million is for agricultural development in India.

The first significant Bloc aid to India was in the field of heavy industry -- a credit of about \$135 million was extended in 1955 for construction of a 1-million-ton\*-capacity steel mill at Bhilai in Madhya Pradesh State. This plant, completed in 1961, has become a world showpiece for the USSR. Not only is it the largest Bloc project yet completed in a less developed country but it is proving to be an efficient and impressive facility. The expansion of the plant to a 2.5-million-ton capacity is now underway and is due to be completed by the end of the current Third Five Year Plan in 1966. Furthermore, the USSR has just announced that it will aid in constructing another public steel plant at Bokaro in Bihar State, on which construction is to begin next year. The amount of this aid is as yet unknown, but it may be about \$300 million. <sup>3/</sup> Other heavy industrial projects are in various stages of construction. Work on a complex of plants -- a heavy machine building plant, a heavy machine tool plant, and a foundry -- is underway in Ranchi, Bihar State, by the USSR and Czechoslovakia. A heavy electrical machinery plant in Uttar Pradesh and a coal mining machinery plant in West Bengal also are under construction with Soviet aid, and Czechoslovakia is helping to build another heavy electrical equipment plant and a high-pressure boiler plant in Andhra Pradesh and Madras. All of these plants are expected to go into at least limited production by the end of the current plan; however, full production will not be achieved until sometime in the Fourth Five Year Plan.

Until the recent entrance of a private US company in the field, the USSR and Rumania were the only foreign participants in the Indian government's efforts to establish a public petroleum refining industry. Three government refineries with a total projected capacity of 6.75 million tons are being built under Bloc financial and technical aid. The first to be undertaken was a 750,000-ton-capacity refinery at Gauhati, Assam. This refinery was constructed during 1959-61 under a Rumanian credit of \$10 million. Although the refinery has encountered difficulties with malfunctioning equipment since coming into production, it is now operating, and the Rumanians are offering further credit to expand it to 1.25 million tons. <sup>4/</sup> Two larger refineries -- both planned for eventual 3-million-ton capacity -- are now under construction with Soviet aid at Barauni in Bihar State and at Koyali in Gujarat State. The first million-ton stage of the Barauni refinery, which like the Rumanian-built Gauhati refinery is to process oil from the Assam oilfields, is

\* Tonnages are given in metric tons throughout this memorandum.

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nearly completed, and construction of the second million-ton stage is due to be completed late this year. Work is just beginning on the Koyali refinery, which will process oil from newly discovered oilfields in Gujarat State.

Petroleum exploration has been another important aspect of the Bloc's aid program in India, and to this effort credits totaling over \$100 million, as well as a significant part of the commercial exports, have been supplied by the USSR and Rumania. The oil discoveries at the Ankleshwar oilfield in Gujarat State are notable Bloc achievements in this field; eventually more than 2.5 million tons of crude oil a year are expected to be produced at this field. 5/

The development of electric power facilities to support India's growing economy has been and will continue to be of major importance in the country's planning. Countries of the Bloc, again mainly the USSR, are making an impressive contribution to this vital sector. During the Third Five Year Plan period, Bloc project additions will account for about one-fourth, or 1.7 million kilowatts (kw), of all new additions to installed capacity. Most of this, about 1.2-million-kw capacity, is being installed on credit deliveries, and the remainder is being supplied under trade agreements.

Bloc aid for other mineral development has been relatively small -- about \$50 million in credits have been extended by Poland and the USSR for development of government coal mines in the mining areas of Bihar, West Bengal, and Madhya Pradesh States. The private sector remains dominant in the coal mining industry, producing about 80 percent of the 64 million tons of coal mined in the country in 1962/63. 6/

## 2. Aid Utilization

Since the inception of the Bloc program, an estimated \$385 million, or roughly one-third of the aid extended, has been drawn by India. In the first 5 years of the program, the period of the Indian Second Five Year Plan (1956-61), drawings were mainly for the Bhilai plant. Utilization of the \$135 million Soviet credit for this project started in 1956 at a low level, increased in 1957, and peaked at about \$60 million in 1958, after which it tapered off in 1959-61. After the beginning of the Third Five Year Plan, economic aid utilization again increased (see Table 3\*).

Notwithstanding the fact that Bloc aid is associated with particular projects for which utilization rates are normally slower and more fluctuating than for nonproject imports, utilization of credits generally is being carried out at a satisfactory pace. Over 10 percent of total aid utilized by India in the first 3 years of the Third Five Year Plan was drawn on Bloc countries. 7/ There have been

\* P. 8, below.

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Table 3

India: Estimated Utilization  
of Soviet Bloc Economic Aid a/

	Million US \$								
<u>Donor</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>Total</u>
Total Soviet Bloc	<u>5</u>	<u>35</u>	<u>66</u>	<u>49</u>	<u>25</u>	<u>43</u>	<u>50</u>	<u>112</u>	<u>384</u>
USSR	3	30	63	45	20	40	47	100	349
Czechoslovakia	2	4	2	1	1	Negl.	2	8	19
Poland							1	3	4
Rumania		1		2	4	3		1	11
East Germany			1	1					2

a. Because of rounding, components may not add to the totals shown.

delays and difficulties on some projects, but such instances probably are no more frequent than might be expected in a program of this size. In many cases, implementation lags have been caused by India's inability to mobilize domestic resources and to absorb aid quickly enough. In the recent difficulties at the Rumanian-built Gahauti refinery the problem was with the equipment, but in this case Rumania made every effort to correct the situation at its own expense, and the plant is now in operation. 8/ The successful implementation of the Bhilai steel plant construction and of petroleum exploration operations more than outweighs any adverse implications of these difficulties.

Estimates of probable future drawings indicate that a peak of perhaps as much as \$150 million may be reached in 1964 or 1965, after which utilization probably will level off at about \$100 million to \$130 million for several years. Using only credits already extended, India could continue to use aid at that level through 1968.

### 3. Repayments

Repayments of most of the economic credits extended by the Bloc to India are not scheduled to begin until after all deliveries are made on a particular project. It is difficult, therefore, to predict accurately the magnitude of future repayment burdens. Indian estimates, made early in 1963, put such payments (interest and principal) at almost \$28 million in fiscal year 1963/64, \$35 million in 1964/65, and \$61 million in 1965/66. 9/ These obligations, together with military repayments to the USSR, which could approximate the annual level of economic repayments in the next few years if pending agreements are concluded, constitute a significant additional burden on India's balance of payments.

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India's total world debt repayment obligations are estimated in the central budget statement to have been \$254 million (\$129 million in principal and \$125 million in interest) in 1963/64 and \$302 million (\$141 million in principal and \$161 million in interest) in 1964/65. 10/ Payments in 1965/66 probably will reach \$350 million -- a level that is expected to continue throughout the period of the Fourth Five Year Plan. As India has no surplus foreign exchange reserves and a chronic deficit on the trade account, these obligations further exaggerate the need for foreign aid. All of the Bloc payments are being made in nonconvertible rupees -- that is, in Indian exports.

#### B. Military Assistance\*

Before mid-1962, Bloc military assistance to India was relatively insignificant and confined to the supply by the USSR of a small number of transport planes and helicopters. A total of 20 Mi-4 helicopters, 24 Il-14 transports, and 8 An-12 transports valued at some \$30 million were delivered to India in 1961 and 1962, either on a straight commercial basis or on short-term 5-year credits. However, since that time, and especially since the Sino-Indian conflict in October 1962 and the consequent Indian military buildup, Soviet military aid to India has increased considerably. The USSR has contracted to supply not only larger quantities of An-12's and Mi-4's, but also MIG-21 fighters and surface-to-air missile (SAM) complexes. The value of these new contracts is estimated at \$120 million.

Other agreements are in various stages of negotiation for additional SAM's and the construction of MIG-21 production facilities in India. If these agreements are consummated, the value of Soviet military aid yet to be delivered to India in the next few years could be as high as \$200 million to \$300 million. Most of this amount would be for the MIG plants. Available estimates put the total cost of these facilities at \$200 million to \$250 million, much of which will have to be supplied from the USSR -- probably on credit terms. 11/ In any event, the construction of these facilities would constitute a substantial burden on India's balance of payments. Estimates of the value of Soviet military deliveries to India from 1961 to 1967 are as follows (in million US \$):

	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>Total</u>
Agreements signed	30	2	74	42				148
Agreements under negotiation					85 to 100	35 to 50	35 to 50	150 to 200
SAM's					50			50
MIG plants					35 to 50	35 to 50	35 to 50	100 to 150**

\* In this memorandum, military assistance is defined as all military sales regardless of the terms of the sales.

\*\* Estimate of the part to be delivered by the USSR.

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Estimated repayments (interest and principal) on the existing agreements for \$148 million will reach a peak of \$25 million by 1965, as follows (in million US \$):

<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
4	9	13	18	23	25	21	20	13	8

On the assumption of the successful conclusion of the pending agreements, these payments may be as high as \$50 million by 1966.

## II. Trade

Non-Communist countries, mainly the US, UK, Japan, and West Germany, are India's most important sources of needed imports and markets for traditional exports such as jute manufactures, cotton textiles, and tea. The US alone, India's leading trading partner, accounted for over one-fourth of India's total trade in 1963. Nevertheless, trade has become an important facet of the Bloc's economic offensive in India. The total value of Bloc trade has increased markedly since 1955. In that year, such trade accounted for only 2 percent of total Indian commerce, but by 1963 this trade had increased to almost 11 percent of the total (see Tables 4 and 5\*). In addition, Bloc trade has been diversified over this period. Commodities exchanged with Bloc countries in 1956 included primarily Indian exports of hides and skins, pepper, tobacco, wool, iron ore, lac, cotton goods, and jute sacking and imports of iron and steel products, newsprint, and small amounts of machinery. By 1963 these same commodities were being traded in much larger amounts, along with additional goods, including Indian exports of cashew kernels, coffee, tea, oilseed cakes, mica, and jute fabrics and imports of petroleum products.

These trade increases reflect an increase in total trade and not a diversion of trade from Free World countries. There are two major reasons for the expansion in Bloc trade. First, the aid program has resulted in large and increasing credit imports of capital goods for development projects and exports of goods in repayment of credits. In 1963 an estimated \$110 million worth of machinery and equipment was delivered to India from the Bloc on credit,\*\* and an estimated \$25 million worth of goods was exported to Bloc countries in repayment of utilized economic credits. Military deliveries are not included in trade statistics, but it may be that some \$20 million in repayments for military goods also is part of the Indian export figure. Second, in India's drive to increase exports, the Bloc countries so far have proved to be ready markets. They not only can supply the capital goods that India needs but are willing in return to import greater

\* Table 5 follows on p. 12.

\*\* This amount may not be included in trade statistics.

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Table 4

India: Trade with Major Free World and Soviet Bloc Partners  
in 1963

	Million US \$			Percent of Total Indian Trade
	<u>Exports</u>	<u>Imports</u>	<u>Total</u>	
Total	<u>1,596</u>	<u>2,358</u>	<u>3,954</u>	<u>100.0</u>
Soviet Bloc	<u>193</u>	<u>223</u>	<u>416</u>	<u>10.5</u>
USSR	102	127	229	5.8
Czechoslovakia	29	34	63	1.6
Poland	19	18	37	0.9
East Germany	19	19	38	1.0
Hungary	13	12	25	0.6
Other	11	13	24	0.6
Free World	<u>1,403</u>	<u>2,135</u>	<u>3,538</u>	<u>89.5</u>
US	269	764	1,033	26.1
UK	361	366	727	18.4
Japan	114	132	246	6.2
West Germany	38	191	229	5.8
Other	621	682	1,303	33.0

quantities of Indian primary products and manufactured goods. Credit agreements as well as the bilateral trade agreements which govern Indian - Communist Bloc trade provide for rupee payment -- that is, payments are made in nontransferable rupees that may be used only for purchases of goods and services in India.

Under these bilateral arrangements, India's trade with Bloc countries is planned to continue to increase in the future. New 5-year agreements have been signed recently with the USSR, Czechoslovakia, Hungary, Poland, and Bulgaria. These call for doubling of trade with those countries by 1966, the first year of India's Fourth Five Year Plan. (Quotas for 1967 and 1968 are to be set later.) Within the framework of these new agreements and 1-year agreements with East Germany and Rumania, Indian-Bloc trade in 1964 is projected at about \$580 million compared with \$416 million in 1963 and considerably more than \$800 million by 1966. With greatly enhanced repayment burdens and credit deliveries and given present marketing difficulties in the West, Bloc trade could account for 20 percent of India's total trade by the end of 1966.

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Table 5

India: Trade with the Soviet Bloc  
1955-63

Year	Million US \$			Percent of Total Indian Trade <sup>b/</sup>
	Exports	Imports <sup>a/</sup>	Total	
1955	28	25	53	2
1956	49	72	121	4
1957	66	88	154	4 to 5
1958	74	85	159	5 to 7
1959	110	79	189	6 to 7
1960	108	74	182	5 to 6
1961	113	134	247	7 to 8
1962	164	215	379	10
1963	193	223	416	11

a. Before 1962, Indian trade statistics did not include imports on long-term credit -- therefore, for those years the figures do not reflect total imports from the Soviet Bloc.

b. For the years 1957-61 the higher percentage is an estimate of the maximum share if credit deliveries were included.

In order to make such increases possible, the Bloc countries have agreed to diversify further their imports from India. All of the new bilateral agreements provide for purchases of nontraditional as well as traditional Indian export commodities -- specifically light engineering equipment, chemicals, shoes, diesel engines, and textile machinery. The Soviet-Indian trade agreement, under which the USSR probably will replace Japan as India's third largest trade partner, stipulates that 50 percent of India's exports are to be of manufactured and processed items.

### III. Prospects for Future Bloc Aid and Trade

Unlike Western aid donors, who pledge their aid on an annual basis, Bloc countries traditionally have made their major aid commitments to India for the total 5-year period before the beginning of the plan. This practice provides India with greater opportunities for advance planning and provides the Bloc with opportunities to make a better selection of aid projects and to obtain favorable publicity. This practice is expected to continue, and probably within the next 6 months or a year the USSR and the European Satellites will make firm commitments for the Indian Fourth Five Year Plan to begin in April 1966. Already Czechoslovakia has agreed to provide \$84 million in new credits, and there have been some definite offers of aid from Hungary, Rumania,

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and Poland and a general offer from East Germany. The USSR has agreed to assist India in the construction of the large steel complex planned for Bokaro, Bihar State -- a project originally scheduled for US assistance but abandoned in 1963. The plant is planned to have an ultimate capacity of 4 million tons of steel, and the Soviet aid is to be for the first 1.5-million-ton stage. Although the amount of the new aid has not yet been announced it is likely to be on the order of about \$300 million. The USSR reportedly will soon announce a sizable new aid program, including the Bokaro project. 12/

The total magnitude of new Soviet economic and military aid to India will be influenced not only by resource allocation problems within the USSR but also by its evolving conflict with Communist China. Barring any major Soviet concessions to Chinese demands that the USSR restrict its economic and military support to India, it is likely that India will remain a major recipient of Soviet foreign economic assistance.\* At the same time, aid for the Fourth Five Year Plan probably will not greatly exceed the level of commitments for the Third Five Year Plan -- that is, about \$500 million from the USSR and \$125 million from the Satellites. Domestic economic problems in the USSR as well as the probable accrual of only marginal political benefits are expected to militate against any significant increase in the Soviet aid program in India.

As in the past, Bloc aid will continue to be tied to public sector development projects, primarily in the field of heavy industry. In addition to Bokaro the USSR is expected to provide for further expansion of the Bhilai steel plant to at least 3.5 million tons. 13/ Soviet aid is also expected to provide for construction of a compressor and pump plant (for which the technical report has already been prepared by the USSR), a heavy structurals plant, a plate and vessels works, and a bearings factory; for expansion of the heavy engineering plant at Ranchi; and for additional capacity for machine tools. 14/

The Czechoslovak assistance program in India will be continued in the Fourth Five Year Plan period under a new \$84 million credit -- the largest single credit extended by Czechoslovakia to a less developed country. Specific allocation of this May 1964 credit has not been made, but it was stated that it would be used for such projects as power stations and tractor and machine tool factories. 15/ The credit probably also will be used in part for completion and expansion of the foundry-forge plant in Ranchi and the heavy electrical machinery plant in Hyderabad. Undoubtedly new aid also will be forthcoming from Hungary -- an offer of a \$25 million credit from that country was made late in 1963 to cover aid to set up the first public sector

\* The traditional Soviet interest in India as the leading nonaligned state has been sharpened by the USSR's struggle with China and its conviction that India can serve as an effective counterweight to Chinese designs in Asia.

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aluminum plant in Madhya Pradesh, a glass factory, an ore dressing plant, and power stations. 16/ Rumania has offered to expand the capacity of the Gahauti refinery, 17/ and East Germany is reported to have offered to supply aid for chemical and cement factories, powerplants, and transportation development. 18/

While maintaining its interest in India's heavy industrial sector, there are indications that the USSR in the next 7 years also may branch out into a new field -- establishment of consumer and other light industries in the public sector. This area is now almost entirely in the private sector. All the textile, food-processing, leather and rubber goods, and refractories industries are privately owned, as well as most of the paper, wood, and cement industries. 19/ About a year ago, there were reports that the USSR and India had under discussion proposals for Soviet collaboration in setting up industries to produce textiles, leather goods, and tobacco wholly in the public sector -- output of which would be earmarked exclusively for export to the USSR. 20/ This proposal again was voiced in mid-1963 by Khrushchev at the opening of the Indian National Exhibition in Moscow. He suggested that several industrial projects should be established in India through joint collaboration "to manufacture and supply goods and products required by the Soviet economy." 21/

This type of aid undoubtedly would help, at least in the short run, to increase India's exports to the USSR (part of which would be in repayment of Soviet credits). Currently inflated prices for many of the products of India's privately owned export industries -- which have made them noncompetitive in Western markets -- have encouraged private entrepreneurs, over whom the government has limited control, to sell at home rather than abroad. Furthermore, the inadequacy of foreign exchange reserves has resulted in the curtailment of import licenses for these industries and a consequent slowdown in expansion.

The overriding influence on the future value of Indian - Soviet Bloc trade, however, will continue to be the size of the aid program. Credit deliveries account for a substantial majority of imports, and credit repayments account for an increasing amount of exports. In spite of the fact that in recent years there has been a trend for the Bloc countries to deliver capital goods to India on short-term commercial credit rather than on a long-term credit basis, it is unlikely that India will be able to expand its exports to the Bloc sufficiently in the next several years to permit a substantial shift from credit to cash purchases of development imports. Consequently, the development of Bloc trade during India's Fourth Five Year Plan (1966-71) will continue to depend on the magnitude of the aid program.

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*India*

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*India*

PLANS TO BUILD MIG AIRCRAFT IN INDIA

An appraisal of Indian and Soviet intentions to produce Soviet MIG aircraft in India indicates that the two countries have agreed in principle to manufacture the aircraft and are actively engaged in the early stages of implementing the program. While full implementation will be difficult and protracted, it appears unlikely that either the Soviets or the Indians will let the agreement fall through except under extreme circumstances.

Defense Ministry Secretary Khera, in his talks with Defense and State Department officials on 30 June, stated firmly that the Indians intended to proceed with their plans to manufacture MIG 21 aircraft, and that the June 1964 visit of Mikoyan to New Delhi confirmed these plans. With the exception of one press story, otherwise unsupported, there has been no indication since December 1963 that the MIG deal would be abandoned.

There are numerous credible clandestine reports concerning intensive negotiations between Moscow and New Delhi on the construction of the MIG factory; sites have been chosen and publicly announced; technical delegations have been exchanged; and the Indian government has committed itself before the Lok Sabha to go on with the deal. In sum, there is no evidence to indicate that the Indians might be willing to abandon the MIG construction project, and much to indicate that they are proceeding with it.

Implementation of the agreement is still in its early stages, and there are many obstacles to be overcome before it is fulfilled. Negotiations on the characteristics of the aircraft itself and on the support needed for the manufacturing program will probably be protracted and difficult. The major decisions are likely to be made in August, when Defense Minister Chavan and a technical mission visit Moscow to discuss the MIG program.

The Indians also have not apparently considered the MIG program to be a substitute for production of their own supersonic HF-24, Mark II. This latter aircraft is far from an operational status, and it is still questionable whether it can be brought up to the Indian

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requirements. The prospect of success with the HF-24 would almost certainly have some effect on Indian attitudes toward MIG production, but it is doubtful that it would cause abandonment of the program.

Any Indian change of mind on the MIG deal would have serious political repercussions. Domestically, the vocal left wing groups have made much of the MIGs as a symbol of continued good Indian-USSR relations; internationally the Indians have recently been carefully cultivating the Soviets; and cancellation of the MIG agreement would reflect adversely upon the Indian non-alignment posture, particularly in view of the extensive Western involvement in other sectors of the Indian defense establishment.

The one factor that would be most likely to deflect the Indians from proceeding with the MIG program is the shortcomings of the aircraft itself. By the time the finished aircraft comes off the production line, the MIG-21 will be obsolete, and the Indian Air Force is already dissatisfied with the six MIG-21's it received in February 1963. In particular, they insist upon improved range and all-weather capabilities if the MIG-21 is to become a major part of the Indian Air Force inventory.

Indian officials have told us that they have negotiated with the Soviets for an all-weather MIG, and recent press reports claim that the Soviets have agreed to the Indian request. Should the Soviets refuse to supply India with an all-weather aircraft, there would be a good possibility that the Indians would not go through with the deal.

The MIG-21 is produced in five configurations. Of these, four are day fighters and only one, the MIG-21D, is an all-weather aircraft. All five types can be fitted with air-to-air missiles.

The six aircraft the Indians have received were day fighter models, and this type has been delivered to other Bloc countries and to a number of non-Bloc air forces (e.g., Iraq, Indonesia, UAR, Finland). It is also in the Cuban inventory. The all-weather MIG-21D has so far been supplied to no countries outside the Bloc or to Cuba.

However, the Soviets regard India as a prime target for their attentions. If there is any non-Communist country for which they might be willing to make an exception, it is probably India. Also, the Soviets would not be supplying MIG-21D's to India at this time, but providing construction facilities in which the Indians would produce them domestically. The most optimistic estimates for production from the Indian factories is 1968, and the Soviets may expect that by this time the MIG-21D will have been made available to Cuba (if required) and to other non-Bloc countries. On this basis, we believe that the Soviets may be amenable to setting up the Indian factories to produce

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some type of all-weather aircraft that is more advanced than the MIG-21 day fighter. The only likely candidate is the MIG-21D; reference to the probably non-existent "MIG-23" in the Indian press may be incorrect nomenclature for the MIG-21D.

--Current Foreign Relations, Issue No. 28, 7/15/64

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INTELLIGENCE BRIEF

SOVIET MIG-21 FACTORIES IN INDIA:  
PROGRESS AND PROSPECTS

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SOVIET MIG-21 FACTORIES IN INDIA:  
PROGRESS AND PROSPECTS

The USSR and India appear to have concluded preliminary negotiations for active Soviet participation in the Indian production program for supersonic fighters. On 25 April 1965 an Indian delegation left for Moscow to sign detailed agreements for the development of a MIG-21 complex. This installation -- to be built in India with the maximum possible use of Indian material -- will consist of three plants: an air-frame factory at Nasik, an engine factory at Koraput, and an electronics factory at Hyderabad. The Indians plan to begin assembling MIG's by 1970, using parts manufactured in these plants -- a time schedule that appears to be overly optimistic.

Negotiations for the MIG factories have been drawn out. Discussions began in the spring of 1962 and a formal agreement was reached in September 1964. Nevertheless, implementation of the agreement has been delayed, possibly because of uncertainties following the ouster of Khrushchev and because of Indian dissatisfaction with the Soviet estimated cost of the MIG complex.

Final agreement as to the type of aircraft to be produced may not yet have been reached. The Indian Air Force, dissatisfied with the limited capabilities of the 12 MIG's that they had previously purchased from the USSR, urged that the all-weather version of the MIG-21 -- the Fishbed D -- be manufactured in India. Y. B. Chavan, the Indian Minister of Defense, indicated on his return from Moscow in September 1964 that an agreement had been reached with Soviet officials for the manufacture of this type of aircraft. Soviet delegates visiting India in February 1965 are reported to have stated, however, that the USSR was considering only the less sophisticated model. There is no evidence that the USSR has begun to deliver any tools or machinery for the MIG plants.

1. Background

Before the visit of the Indian Defense Minister to Moscow in September 1964, estimated costs for the construction and installation of the MIG-21 plants were reported to be as high as \$315 million, including Soviet aid of about \$125 million. 1/ During Chavan's visit a general military aid agreement valued at \$147 million was initialed, of which about \$86 million was for the MIG plants. India still was not completely satisfied with

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the cost estimate of the MIG complex. According to this preliminary agreement the total cost of construction and installation would be between \$156 million and \$168 million. The airframe factory at Nasik was scheduled to cost \$37.8 million and the engine factory at Koraput, \$73.5 million. Estimates of the cost of the electronics plant at Hyderabad run from \$45 million to \$57 million. 2/ The Soviet credit for the MIG complex will be repayable over a 7-year period, probably beginning when the first delivery is made. The annual interest charge is to be 2 percent.

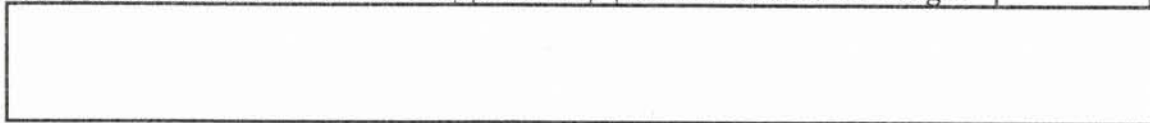
A Soviet credit for 38 MIG-21 aircraft ordered during Chavan's visit amounts to about \$31 million and is in addition to the credit for machinery and tools to be installed at the plants. Aircraft ammunition and spare parts in the amount of about \$20 million also are scheduled for delivery as military aid during the period 1965-68. 3/

There has been recent criticism of the slow pace of the whole Soviet MIG program. Early this year, however, in reply to a suggestion that the USSR appeared to be procrastinating on its assistance for the MIG project, Mr. A. M. Thomas, Indian Minister of Defense Production, announced that \$6.2 million had already been authorized for the first stage of the Koraput plant. Although the USSR is not known to have made any deliveries under this authorization, India has presented the USSR with a shopping list of tools, machinery, jigs, and aircraft components -- all of which are needed to produce the MIG's. 4/ In addition, preliminary construction work (design and site preparation) has begun on the Nasik and Koraput plants.

## 2. Schedule of Construction

An Indian delegation that left for Moscow on 25 April 1965 probably will sign detailed agreements for the development of the MIG complex. 5/ In earlier plans the construction and installation had been divided into four stages; these have now been consolidated into three. During the first stage the plants will be under construction. The import of 38 MIG-21 aircraft in a partly assembled state for final assembly by Soviet technicians at Nasik as a demonstration of assembly techniques to Indian trainees is also apparently part of the first stage. 25X1

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During the second stage (scheduled to run from 1966 to the latter part of 1969) the Nasik airframe and the Koraput engine factories are to begin assembling MIG aircraft from imported components. A monthly assembly of six MIG's is planned. During this stage, Indian technicians under Soviet guidance are to assume primary responsibility for the assembly. During this stage the Hyderabad factory will not only assemble but also begin the manufacture of some electronics equipment for the aircraft.

During the third and final stage, India plans to begin production of MIG's by manufacturing all the basic components from raw materials. 7/ Indian factories probably will not be able to produce all of the MIG parts by 1970, and it is estimated that production will depend indefinitely on imports of some MIG components.

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Research Memorandum  
JESSIE  
INR-19, May 20, 1964  
JOHNSON

TO : The Secretary  
VIA : S/S  
FROM : INR - Thomas L. Hughes

*Thomas L. Hughes*

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Subject: Soviet Policy Towards India and Its Implications  
SMITH, WM. Y.

Soviet willingness to provide India with large-scale economic and military aid, manifested most recently in the offer to finance the Bokaro steel mill, raises new questions about the nature and scope of future Indo-Soviet relations and their implications for the West. In examining these problems we have reached the following

Conclusions:

1. The Soviet Union regards India as the key nation in Asia in terms of the East-West confrontation as well as the Sino-Soviet dispute.
2. In pursuance of these interests the USSR has mounted a new campaign intended to preserve India's nonalignment to penetrate key sectors of Indian public life, and to bring India's domestic and international policies more in line with those of the Soviet Union.
3. India is vulnerable to such a campaign; least in the internal political sphere; more in the economic development area; most in terms of its possible dependency on the USSR for military assistance. Particularly important in the last instance is Soviet willingness to supply glamorous surface-to-air missiles and supersonic fighters (including production facilities for the latter). This could give the USSR's dominant and potentially dangerous position in what the Indians regard as a major line of defense against Communist China.

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4. There is no reason to doubt Soviet capabilities to carry through a massive aid program to India or to give India important and appealing support on international issues, such as Kashmir. The total impact in India is likely to be blunted, however, by inter alia, the country's deep attachment to nonalignment and the continuing strength and independence of the Congress Party and the civil and military bureaucracy which supports it.

5. The availability of alternative sources of aid from the West will be equally important. Given a continuation of these various factors, the Soviet Union will have great difficulty in establishing dominant influence in India or in winning major leverage through monopolizing one particular sector of the aid program.

## I. SOVIET POLICY

### Evolution

Since the early 1950's the Soviet Union has given special attention to India in the political as well as economic field and has regarded it consistently as the key nation in Asia whose friendship the USSR should win and hold. The Communist Chinese attack on India in October 1962 presented the Soviets with a dilemma.

In the first several months after the attack, the USSR was not prepared to take sides. While it continued to supply large scale economic aid to India, no significant military assistance was offered. Moscow's emphasis was on arranging a mutually acceptable negotiated solution of the Sino-Indian border quarrel.

This posture did not last long, however. Peiping's continued truculence toward New Delhi was clearly a major factor in the spiraling Sino-Soviet quarrel. Inter alia, Communist China was undermining a basic element of Soviet foreign policy -- the view that nonalignment by the Afro-Asian states was an important element of peaceful coexistence. At the same time, Indian receptivity to Western military aid raised the possibility that New Delhi might be moving into the Western camp.

In the spring of 1963, Moscow apparently decided that India's non-alignment and Soviet-Indian friendship must be preserved at all cost and offered substantial military aid of its own. This was followed by further Soviet overtures of major import, e.g. preparations for the establishment of production facilities for supersonic aircraft in India, an offer to finance the Bokaro steel mill (a project which India had first offered to the US), and reiterated Soviet support for India on the sensitive Kashmir issue.

### Motives

A policy of largess toward India at the present time recommends itself to Moscow for a variety of reasons. It promises to secure and hold the support of India in Moscow's continuing quarrel with Peiping. It provides an opportunity to contrast Moscow's prompt and "disinterested" aid policies with those of the West, (reluctance to support Bokaro because it is in the public sector, avoidance of commitment on Kashmir because of ties with Pakistan). Moscow also wishes to retain India's support as an important nonaligned power and the principal Asian counterweight to China.

In Moscow's eyes, the time may also be ripe within India for stimulating forces favorable to Soviet interests. The problems of transition of political leadership could present an opportunity to encourage a Popular Front uniting noncommunist leftist factions with the pro-Soviet element of the Indian Communist Party. The public sector of

the Indian economy, challenged in recent years by a more vigorous and more rapidly expanding private sector, is in need of large impact projects such as the Bokaro steel mill if the pragmatic trend away from socialist doctrine within India is to be checked. The Soviets would want to halt or reverse such a trend. They fear that India would "go capitalist" should the private sector gain predominance and that thereby a basic Soviet ideological tenet would be undermined.

There is no reason to believe that the Soviet aid performance will be limited by current economic stringency. Evaluation of political gains rather than economic compulsion has governed Soviet aid policy. Thus, despite the fact that much of the economic and military assistance sent abroad in recent years could well have been utilized at home, the decision was reached to commit resources abroad. At the present time the Soviet capability for delivering components for the Bokaro steel mill appears at least as great as that for Bhilai earlier, and inventories of the more modern weapons systems which the Indians desire are not in such short supply as to preclude their delivery.\*

An accelerated Soviet offensive in India fits in with broader aspects of Soviet policy in Africa and Asia. Now that it has openly joined battle with the Chinese "wild men," the Soviet Union can appear to offer a moderate "middle way" to the leaders of the underdeveloped countries. The improvement in relations with the US gives Soviet policy less of a cold war character. All of this helps set the stage for a new round of major Soviet credits, which in the past year have gone not only to India but to Yemen, the UAR, Algeria, Somalia, and Kenya as well.

Under the circumstances, there seems to be every reason to believe that the years ahead will see an intensified Soviet effort to expand its influence in India across the whole political, economic, and military spectrum. Moscow may hope not merely to preserve Indian nonalignment but to achieve a shift of Indian foreign policy closer to Soviet objectives and perhaps an evolution leftward of Indian domestic politics.

\* A summary of Soviet aid capabilities and activities in regard to India is contained in the Appendix.

## II. IMPACT IN INDIA

India is in many ways vulnerable to the further spread of Soviet influence. The USSR does not have to force or cajole its way into the country. It already has a substantial presence there. Its ideological claims of socialism and peaceful coexistence have considerable appeal for many elements of the Indian leadership. Its financial and technical aid is badly needed. Its military hardware can do much to meet deeply-felt security needs. All of this makes for an attitude of sympathy which can be very dangerous in view of the still fragile structure of Indian democracy, the uncertainty inherent in the transition from Nehru's leadership, and the constant pressure of economic problems.

In the political field there are sizeable and vocal noncommunist elements within the Congress Party and elsewhere that urge an extreme leftist course as the answer to India's multifarious problems. The Communist Party is large and has important strength in several states. Its Moscow-oriented faction is working to create the image of a party that is attuned to Indian political life and no longer a foreign element. The development of a Popular Front along classic Communist lines is by no means out of the question.

India's economic structure is also vulnerable. Should the USSR become the principal patron of heavy industry, it could eventually dictate the future pattern of development. Coupled with greatly expanded Soviet-Indian trade ties, this could give the USSR virtual control of the Indian economy. A similar potential danger exists in the military field where the desirability of standardization could provide the USSR with the opportunity to expand an initially small presence to create Indian dependence for a wide range of military requirements.

In each of these fields, Soviet opportunities will be limited both by certain factors indigenous to the Indian scene and by the alternates available to India from the West. A Popular Front might come into being and such a movement would cause considerable commotion and project an image larger than its size. However, Congress would probably still be the only party with a national organization; it would still have the all-important support of the civilian and military bureaucracy; judging by present indications, its leadership, even after Nehru, would be at least equal in skill and national appeal to anything the left could produce.

Continued heavy Soviet economic and technical aid will strengthen the public sector, improve the general Soviet image, and, from time to time, as in the case of Bokaro, make possible major psychological coups. Yet, the expansion of socialism will still be resisted by the tenacious private enterprise establishment. Assuming the continued availability of large scale Western developmental aid, Soviet opportunities for monopoly will be few; and the problem of converting credits for steel mills into votes for Communists will remain a difficult one.

The main threat from the USSR in the years ahead will almost certainly lie in the military field. India is convinced it needs large increments of modern arms. They are likely to be available promptly and relatively cheaply from the USSR. India wants production facilities of its own. The USSR seems willing to supply them. Literally, one thing could lead to another in this area where standardization is so important and reliance on spareparts from the original supplier is great. The ground forces, with their massive inventory of Western equipment and their greater political sensitivity, are probably least vulnerable to Soviet blandishments. The Navy is relatively unimportant.

The air force presents the most difficult problem. Because of Pakistani sensibilities and a reluctance to see the Indians become involved in an expensive program of marginal utility, the United States has hesitated to provide India with high-performance aircraft. The Soviets, after initial wavering, have entered the air defense field in a large way, with offers of both surface-to-air missiles and supersonic interceptors. These are among the most glamorous elements of all the armed forces and the Soviets could well become by far the most important supplier to India in this field -- not only of the end-items, but also of production facilities. Training, both in the USSR and in India, would necessarily be involved. The Soviets would thus acquire a clearly dominant position as the patron of the Indian air defense system -- which the Indians regard as one of the most important lines of defense against the Chinese threat.

The Soviet position within the Indian air force would of course not be unique. The USSR enjoys a similar position in the air forces of a number of other countries such as Indonesia, the UAR, Afghanistan. In all of these instances, however, the Soviets have not been able to translate their technical monopoly into effective political influence, and it is probable that the Indians would be even more sophisticated in avoiding Soviet penetration and exploitation. In any event, it is the Indian army and not the air force that has significant political potential at present.

### III. OUTLOOK

There seems to be little prospect for eliminating Soviet influence in India. To exclude it in a given field probably is possible by offering the Indians a package that meets all their requirements in that particular area. The chances are, however, the Indians would balance such "excessive" involvement with the US by encouraging Soviet activity in some other, equally-important field. In the years ahead, India is almost bound to have relationships with both the US and the USSR, and in the absence of a sharply defined cause for quarrel, these are likely to be generally extensive and friendly.

India's still-deep Western orientation will incline it in many ways toward the West. Its attachment to nonalignment precludes total exclusion of either the West or the USSR. In terms of the Sino-Soviet dispute there may be certain advantages to be gained from a reasonable amount of Indo-Soviet cooperation. Furthermore, an India that was the target of active Soviet hostility might be more of a problem and burden to the US than one that is on friendly terms with the USSR. In any event, India's sensitivity about its independence and its suspicion of great power influence generally will make it reluctant to take advice from or to trust either side beyond rather narrowly limited margins. In sum, New Delhi does not promise to be much more tractable in the future than it has been in the past.

Nevertheless, the US will have to be constantly on its guard against possible Soviet efforts to "sweep the field" in India (such as may currently be attempted). Even apart from this, there are certain elements of Soviet involvement that are undesirable in themselves; e.g. complete Indian dependence on the USSR in a key military field, too great a share of India's exports becoming mortgaged to the Soviet Union, or, under Soviet enticement, too many domestic resources committed to defense expenditures. Although most Indian leaders are sophisticated enough to be alert to such risks, and to appreciate the importance of continuing Western aid, they will probably need to be reminded from time to time of the dangers of overly great involvement with the Soviet Union.

APPENDIX

Soviet economic aid to India, now exceeding \$1 billion in commitments, far overshadows Soviet aid extended to any other country in the free world. Since undertaking in 1955 to underwrite the Bhilai steel plant, Moscow has periodically extended additional large credits:

(in millions of dollars)

1955	120*
1956	20
1957	125
1959	420
1961	<u>125</u>
Total	811*

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\* Including small amounts of grant aid; otherwise all in credits.

Nearly half of this total has been drawn. These figures do not include the recently announced Soviet credit for the Bokaro steel mill, which may total \$200-\$300 million or more, nor do they include \$255 million provided by Eastern European countries. In addition to economic assistance, the Soviet Union beginning in 1960 has provided an increasing flow of military assistance, now totalling \$148 million with more in prospect. A significant portion (\$60 million, including surface-to-air missile equipment to defend the northern frontier) was extended after apparent Soviet vacillation following the Sino-Indian border fighting in October 1962.

The following training relationships have been established in the technical assistance field:

Soviet bloc technicians at work in India during July-December 1963	960 (735 from the USSR)
Indian technical trainees in the Soviet bloc as of December 1963	580 (400 in the USSR)
Soviet military technicians at work in India during 1963	40
Indian military personnel having received training in the USSR since 1955	425
Indians studying in Soviet bloc universities as of December 1963	275 (180 in the USSR)

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DDI-2232-64

16 MAY 1954

*India* *for*  
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MEMORANDUM FOR: Director of Central Intelligence

SUBJECT : Comments on Memorandum from Ambassador Bowles

Summary

1. Ambassador Bowles predicts that the effects of the Sino-Soviet split and the nuclear detente will cause the USSR to develop a fresh political and economic approach which takes into account the dwindling ideological appeal of the Communist dogma in the developing nations while exploiting the political by-products created by the limited military detente with the West.

2. He expects the USSR to foster united-front movements and focus its economic and military aid on the most politically promising and strategically important Asian, African, and Latin American nations. He assumes the USSR will ultimately solve its agricultural dilemma, shift to a more consumer-based economy, and launch a major effort to switch a major fraction of the trade of selected developing nations away from the West.

3. With specific regard to India, Mr. Bowles predicts that the Sino-Soviet split, by removing Soviet political inhibitions, will encourage the USSR to dig deep to step up economic aid, cut into India's trade with the West, offer more military aid on better financial terms, and possibly even give public assurances of support if India is attacked by Pakistan or even China.

4. At the same time, the USSR may well attempt political manipulation, sponsoring a left-wing United Front along the lines of the Leninist-Stalinist effort to harass and destroy democratic governments in the 1920's and 1930's. While such an effort in India would be most likely to produce an army-led anti-Communist totalitarian regime, the USSR may assume that because of its economic power--and its resulting potential influence on younger officers and the body politic--destruction of the democratic center would be less likely to backfire than it did in Germany and Italy after World War I.

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NLJ / RAC 12-248  
By LCH NARA, Date 03-23-2014

5. Bowles sees the situation in India as wide open for Soviet manipulation, with even many democratically committed Indians now psychologically prepared to view the USSR as a great and good friend. In this favorable political setting, significant results may be expected from a skillful Soviet effort to undercut India's relationship with the US and its Western associates, backed by Soviet rupees, skillfully directed left-wing publications, and a stripped-down, Soviet-controlled Communist party organization cooperating closely with articulate leftists.

6. In one sense the situation we are likely to face in India will be significantly more demanding than the one in China in the 1930's and 1940's, when we failed to deal effectively with a series of specific political-military-economic situations.

Comments

7. We would agree that the next few years may witness a more extensive Soviet political and economic offensive in India. The USSR's willingness to assist in the construction of the Bokaro steel complex testifies to the Soviet leaders' intention to play an even greater role in India's economic development and to their ability to allocate resources to a high-priority foreign project at a time when they are faced with so many other competing demands. We also agree that the Soviets expect the relaxation in East-West tensions will increase the number of exploitable unstable situations abroad.

8. We agree with the ambassador that Soviet policy is directed toward a substantial increase in Soviet influence in India. Indeed Moscow's great interest in India contributed to the split with China. The Soviet leaders are deeply committed, both by their course over the past decade and by their firm stand in the conflict with the Chinese Communists, to maintain this policy of supporting non-Communist nationalist leaders in Asia and Africa.

9. Moreover, in addition to Soviet leaders' contempt for Peking's "high-sounding revolutionary phrases," we believe their conception of their long-term interests in the rivalry with both China and the US requires the further development of friendly, stable relations with the Indian Government. It is difficult to see what they could hope to gain by a policy of encouraging the Indian Communist party in a bid to weaken and eventually overthrow the Indian Government and political system. The Soviets, moreover, could have no assurance that the Chinese would not be the principal beneficiaries of such a radical shift in Soviet policy.

10. While it is possible that the Soviets will endorse efforts by the Indian Communists to extend their support and influence by forming tactical alliances with the Krishna Menon group and other non-Communist Indian leftists, we do not believe Moscow would sanction tactics aimed at "the destruction of the democratic center by a Popular Front, left-wing offensive." The ambassador's projection, in our view, considerably exaggerates the capabilities and influence of the Indian Communist party.

11. In summary, we believe the Sino-Soviet split has increased Moscow's interest in developing close relations with a stable Indian Government as a counter-weight to Chinese influence and ambitions in Asia. Any Soviet or local Communist actions tending to weaken New Delhi's ability to withstand Chinese pressures would play directly into Peiping's hands.

12. The possibility of a change in Soviet/Communist tactics cannot be excluded, of course, if Nehru's death or incapacitation is followed by a period of political instability and erosion of New Delhi's authority. Domestic chaos and strife always provide fertile ground for Communist manipulation and exploitation. But even in a situation of political breakdown, we believe Soviet policy, as far as we can see ahead, will continue to be guided by the overriding goal of blocking an expansion of Chinese power and prestige in Asia and in the international Communist movement. This goal, in our view, will take precedence over Moscow's interest in promoting the purposes of the Indian Communists.

13. In regard to economic aid, Moscow seems to consider India along with other key areas a good field for investment, even under the tighter aid criteria it apparently adopted in 1962. The recent credit extension for the first stage of Bokaro is expected to be followed later this year by offers of new aid for the long-term economic plan beginning in early 1966.

14. The Soviet aid program in general shows signs of innovation and flexibility, of accommodating to world political and economic developments. Since its size has been and is expected to remain moderate in terms of Soviet resources, it is not likely to be severely limited by the "lagging" economy. Returns from the program have been far less than Moscow apparently envisaged in the mid-1950's, and its goals have probably been modified in the light of hard experience.

15. Soviet performance at the recent UN Conference on Trade and Aid makes it quite clear that the USSR is happy to have the West bear the burden of trade with the underdeveloped countries

and accept the criticism such trade guarantees. The Soviet economy is not expected to develop enough in the next decade to challenge the western industrial countries as consumers of the poor nations' problem exportable surpluses (tropical commodities). Moscow may, however, assume a more important role as a buyer of manufactured products which have trouble competing in the more sophisticated western market. Its major preoccupation in the next several years is most likely to be directed toward maintaining and advancing the technology of its own industry through increased trade with the West.

16. As for military aid, Moscow generally has met New Delhi's requests, has indicated what is available, but has not offered discounts or very favorable payment terms.

*Ray S. Cline*

**RAY S. CLINE**  
Deputy Director (Intelligence)

**Attachment:**

Ltr fm Amb. Rowles  
to DDI, 4th SS  
Apr 1964

**Distribution:**

- Orig & 1 - Addressee (w/att.)
- ~~1 - DDI (w/att.)~~
- 2 - ED/I (wo/att.)
- 1 - AD/CI (wo/att.)
- 1 - OCI/SSB/[ ] (wo/att.) 25X1A

Orig: OCI/SSBA/[ ] es (14 May 64) 25X1A

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