



DEPARTMENT OF STATE
ACTION MEMORANDUM

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3/23/79 (extra copy)

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TO: The Deputy Secretary

THROUGH: P - Mr. Newsom
T - Mrs. Benson */S/*

FROM: S/P - Anthony Lake */S/*
NEA - Harold H. Saunders */S/*
OES - Thomas R. Pickering */S/*

SUBJECT: PRC Paper on South Asia

ISSUE FOR DECISION

Whether to send the attached Analysis and Issues Paper on South Asia Security and Nuclear Problems to the White House for PRC distribution.

ESSENTIAL FACTORS

We sent to you on Wednesday an information memorandum describing short-term ongoing actions related to Pakistan's nuclear program. Looking toward a longer term strategy for dealing not only with Pakistan, but the broader question of South Asian security, there is attached an interagency study analyzing the various elements out of which a comprehensive strategy would be developed. There is in addition a short issues paper that might provide the focus of a PRC discussion on this subject.

If you approve, we plan to have the White House distribute the study to the PRC members with a view to a PRC meeting next week.

We will be preparing a memorandum for you for that meeting at which we would hope to get a consensus on the major issues. We believe it premature to ask the PRC to consider a specific scenario, but it should be able to deal with the key elements of a South Asia strategy, with a view to getting Presidential guidance now on those he is prepared to see incorporated in a scenario.

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GDS (3/23/85)

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RECOMMENDATION:

That you approve sending the attached issues paper and study to the White House for PRC distribution.

APPROVE _____

DISAPPROVE _____

Attachment

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DEPARTMENT OF STATE

Washington, D.C. 20520

MEMORANDUM FOR CHRISTINE DODSON
THE WHITE HOUSE

Subject: PRC Paper on South Asia Nuclear and Security Strategy

Attached is an interagency study called for by the PRC at its 9 March meeting analyzing the components of strategy to deal with South Asia's nuclear and security problems. It includes comments and, where necessary, dissenting views of all agencies involved.

Covering the study is a short issues paper that might provide a focus for a PRC discussion. We recommend that a PRC meeting be scheduled on 28 March.

Peter Tarnoff
Executive Secretary

Attachments

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SECRET/SENSITIVESOUTH ASIA NUCLEAR AND SECURITY ISSUES

The attached paper, prepared for the PRC, analyzes various specific elements of a strategy to deal with South Asian security and nuclear problems.

We are already bringing our concerns about South Asia to the attention of key states. We have also taken specific steps with nuclear supplier nations to try to cut off Pakistani access to critical nuclear-related hardware.

On the assumption that we will need to do more than we are now doing about the Pakistani nuclear explosive program, the PRC should consider recommendations to the President on several issues that are key to the subsequent development of a comprehensive strategy and a plan of action. These fall into three groups:

- actions directed at mutual Indian-Pakistani restraint;
- actions otherwise to enhance Pakistani security; and
- sanctions directed at Pakistan.

There is a fourth group relating to actions of other states, the PRC, USSR, Western European countries, Japan, Saudi Arabia and the Gulf States (some of which are noted above). These latter do not appear now to require Presidential review but they are important elements of any strategy and thus must be kept in mind.

1. With respect to mutual Pakistan-Indian restraint, the issue is:

-- whether to press on the Indians the concept, already proposed by the Pakistanis, of some form of mutual self-denial of nuclear weapons. A bilateral Indian-Pakistani "no development, no use of nuclear weapons"

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agreement to which the five nuclear weapons states would adhere by protocol has been proposed as a basic approach. India has proposed a non-aggression agreement.

2. With respect to enhancing Pakistan's security, the issues are whether in the context of a Pakistani decision to reverse its course:

-- to raise significantly our economic assistance to Pakistan (Development Assistance, Security Supporting Assistance, Debt Rescheduling);

-- to broaden and enlarge our military supply to Pakistan and if so whether to include an advanced fighter (F-16 or equivalent) and FMS credit.

-- to reenforce the existing 1959 Executive Agreement of Cooperation with a more explicit security commitment including through a new security agreement, treaty, or some broader regional non-aggression agreement.

3. With respect to sanctions, the issues are whether to consider:

-- a cut-off of PL-480, which is not covered by the Symington Amendment;

-- a cut-off of CC and EXIM financing;

-- voting against all development bank loans for Pakistan;

-- an effort to mobilize world opinion through UN initiatives or other public diplomacy to constrain Pakistan;

-- an effort to mobilize similar sanctions on the part of other key donor countries to Pakistan.

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Interagency Working Group PaperSOUTH ASIAN NUCLEAR AND SECURITY PROBLEMS:
Analysis of Possible Elements in a US StrategyThe Problem

In South Asia we face three related serious problems: (1) an increasing need to enhance security and stability in the broader context of West and South Asia; (2) a requirement to deal with Pakistan's nuclear weapons program and a range of possible Indian reactions; and (3) the long-term risk that Pakistan's acquisition of a nuclear capability may assist other West Asian and North African states to acquire nuclear weapons.

A "do nothing" approach concerning Pakistani acquisition of a nuclear weapons capability, although it has historical precedent in the case of nuclear weapons acquisition by the USSR, the PRC, France, and Indian detonation of a nuclear device, the PRC, does not appear to be a real option for us.* It is possible that if India permitted Pakistan to reach nuclear parity at least in a minimal capability, the nuclear "balance of terror" which has constrained other nuclear powers would come into play on the subcontinent. Nevertheless, the Congress and the President have made the control of proliferation a central element of our foreign policy, and the Pakistan case will be viewed as a test of our resolve to pursue this policy.

Indeed, if Pakistan proceeds to detonate a nuclear device and stockpile fissile material to support a nuclear weapons program, it will demonstrate--even more forcefully than India--that nuclear weapons status is within reach of small, relatively unsophisticated nations notwithstanding the coordinated opposition of the supplier countries.

Moreover, the "Islamic bomb" aspect of this case could lead to a direct threat to US national interests in the Middle East and Persian Gulf. We are thus dealing with more than an effort by Pakistan to reach

*Assessment of Indian and Pakistani courses of action at TAB A

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parity with India. While it can be argued, of course, that other states (India, China, USSR and Israel) have even more fundamental interests at stake than we do, we cannot count on others to seek to resolve the situation on a time scale and in a manner that is supportive of our own interests.

The solution to the problem is uncertain, but will probably require our trying the best combination of inducements, prospects of penalties and sanctions, offer of a US security agreement, and pursuit of some imaginative Indo-Pak non-nuclear and security arrangements, as well as continued supplier efforts to cut off exports for Pakistan's sensitive nuclear programs. No path is certain of success and it is probable that in order to have any chance of success we will have to pay a price in terms of other important policy objectives.

Doing little or nothing, however, may not only contribute to an increase in tension and instability in South Asia, but is also likely to have serious implications for the Middle East and for our overall efforts to control the spread of nuclear capabilities.

Objectives

We are pursuing multiple objectives:

-- To help create a South Asia where Pakistan is stable and secure in its relations with a larger and stronger India;

-- To get Pakistan to end its efforts to build sensitive nuclear facilities, with a termination of its enrichment programs as our first priority;

-- To strengthen Indian resolve not to pursue production of nuclear weapons and to accept over time safeguards on all its nuclear facilities.

If possible, we want to bind India and Pakistan to these positions through international agreements. In any event, we will want to be able to monitor, either through inspection or our intelligence capabilities, compliance with whatever assurances we may receive.

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Elements of a Strategy

Three types of actions warrant consideration at this point.

1. A bilateral/multilateral combination of inducements and prospective sanctions focused on Pakistan;
2. A South Asian regional nuclear policy approach aimed at mutual renunciation by India and Pakistan of a nuclear option; and,
3. A security agreement with Pakistan designed to satisfy its security concerns through US or multilateral security assurances.*

One important consideration is "time." The Indians are making persistent efforts to stimulate international public attention to Pakistan's weapons-related programs, stressing in editorials and news stories that the Paks are well along with a centrifuge enrichment capability. It is inevitable, therefore, that the USG will be forced to state publicly its views on Pak programs, and what we intend to do about them. There seems virtually no chance that any action can be taken to prevent such a public debate. Unfortunately, the glare of publicity, and Pakistan's attempts to defend itself and put its case in the best light, will result in hardening of positions both in Pakistan and India. In such circumstances some of the options outlined below, already very difficult to carry through, will probably be even less likely of achievement. It is possible that

*Treasury fully endorses options 2 and 3, but believes option number 1 should not be addressed to Pakistan. USG efforts to get the GOP to abandon its nuclear program have failed; the paper is candidly pessimistic of USG chances altering Pakistan's nuclear drive. Treasury feels this is an accurate assessment given the GOP's xenophobia. Therefore, Treasury believes that the first element ought to be a stronger effort, including a high level political appeal, directed at France and Germany, the two major suppliers of technology and supplies for Pakistan's nuclear program. Previous USG efforts in this direction have had some success and an escalation of our appeal could produce even better results.

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public pressure -- in Europe and in some Third World quarters -- may help focus attention on the grave proliferation threat in South Asia. But many non-aligned nations may be loathe to "choose sides" and pressures on the PRC to support Pakistan and on the Soviets to endorse India's concerns will complicate negotiating efforts. If the issue is brought to the UN, at least part of the response will be along North-South lines and not supportive of the US position. Moreover, Israel's nuclear capability may constrain otherwise sympathetic non-aligned moderates from criticizing Pakistan and, in a public debate, may become a key element in a Pakistani campaign to gain Arab and African support.

In any event, it is important that we be in a position to discuss the issue and how we propose to deal with it with friendly countries as soon as possible. So far, we have discussed the new Pak position (that Zia did not deny efforts to work toward a weapon and refused to stop) only with the British, the Chinese, and the French, although we are in the process of doing so with the Germans and Canadians as well.

1. Bilateral/Multilateral Combination of Inducements and Sanctions Focused on Pakistan

An essentially "punitive action" or sanctions approach taken alone, is unlikely either to gain the support of other key countries (e.g., the UK, France, FRG, China, and Saudi Arabia) or to turn Pakistan around. Indeed, it could actually reinforce Pakistan's insecurities and determination to "go nuclear". Security-related and economic inducements designed to meet Pakistan's concerns for its economic and military security, coupled explicitly or implicitly with the possibility of higher costs and sanctions if Pakistan continues its course, may have some chance of success.

A. Inducements

1. Bilateral Actions

In addition to increasing existing development assistance programs if Pakistan turned off its sensitive nuclear programs, we could:

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-- Pursue with Congress a supplemental request for \$60 million in new Security Supporting Assistance (SSA) for FY-1979, perhaps with an offer of further SSA in FY-1980 and \$20 million in additional PL-480 for edible oil.*

-- Offer to reconsider our position on debt rescheduling so as to make possible international agreement with Pakistan before a crisis develops in Pakistan's balance of payments, recognizing that IMF conditions would have to be dealt with.*

-- Consider the immediate reprogramming of AID funds (up to about \$30 million) for Pakistan;

-- Take another look at our earlier refusal of F-16s or F-18s to Pakistan, reexamine F-5 variants, and reconsider the question of FMS credits. The cost of the aircraft would be about \$360-480 million for two squadrons. (Current, suggested, and possible arms sales at TAB B).

-- Propose a high-level visit, either by Zia to Washington or the Vice President to Pakistan.

The offer of such additional assistance, particularly a substantial military package, would be seen by Pakistan as a direct US response to Pakistan's security concerns and could have a significant impact on Zia's nuclear decisions. If so, our ability "to deliver" on such items would be key.**

*Treasury is opposed to a supplemental in view of the domestic economic and budgetary situation. Treasury is also opposed to granting debt relief to Pakistan. The well established agreed-upon USG position on debt relief is that debt relief is granted only in cases of default or imminent default and then only after an economic stabilization program is in place to ensure repayment. Pakistan does not meet this test. To proceed with debt relief on political/security grounds would risk dollar-for-dollar cuts in future appropriations. Debt relief without economic need is considered by the Congress to be unappropriated "backdoor" economic assistance.

**OMB indicates it is likely to oppose including Pakistan in a short-term request to Congress for supplemental assistance but reserves its position on longer-term additional resources for Pakistan as part of a carefully integrated strategy for dealing with the Pakistan nuclear and security issue.

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On the other hand, serious Congressional, financial/debt management, and foreign policy problems are associated with all these measures. Congress would examine with great care any request to supply sophisticated weapons to a country with as unstable a political structure as Pakistan, particularly in the aftermath of Iran. Pakistan's ability to finance large new cash purchases of weapons is doubtful, although Saudi or other support in this regard might be enlisted. Major new sales of sophisticated military equipment would undercut our global and regional arms sales policies. And India would be disturbed and hostile to such sales, some of which would reverse policy decisions we have told them we had already taken. Indo-US relations would almost certainly be damaged by the sale of sophisticated weapons, and the possibility of a return to Indian total military dependence on the USSR would increase. Finally, we would set a precedent for US action vis-a-vis near-nuclear states of offering conventional arms sales we might otherwise not approve to head off potential proliferation.

2. Multilateral Actions

Coupled with our own efforts, we could seek to have other countries weigh in with Pakistan on concerns about its nuclear programs (e.g., the UK, FRG, France, Japan, Canada, Saudi Arabia, and China) and agree to offer significantly increased economic and security related assistance if Pakistan's nuclear efforts are halted. The UK and Canada may be responsive, but, except for debt rescheduling, their resources are limited.* The French, Germans, Japanese, and Saudis are uncertain, although they might be willing to consider some increase and Saudi Arabia particularly may be willing to finance military sales to Pakistan.

*Treasury notes that under the debt relief terms cited in this paper, Pakistan would receive a grand total of \$7.35 million in debt relief from the UK and Canada. It also notes that debt relief from most donor nations is deducted from new assistance levels. Therefore, the net increase in assistance to Pakistan could be zero.

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In combination, such a concerted inducements package and diplomatic approaches to Pakistan could have an impact on Pakistan's nuclear decisions.

B. Sanctions

1. Bilateral Actions

The threats of cessation of US development assistance (\$40 million budgeted in FY-1979 and \$45 million proposed for FY-1980) and of military sales are already known to Zia, and appear to have had little effect on Pakistan's nuclear course. It is less clear whether the consequences are widely known in the Pakistani military. We could consider adding other explicit or implicit sanctions in our approach to Pakistan:

-- PL-480, which is not covered by the strictures of the Symington Amendment, constitutes the largest portion of our assistance. In FY-1979 we have already signed a \$40 million agreement for Title I wheat and plan to negotiate another tranche of \$40 million under Title III. Refusing to move ahead on ahead on the second tranche might hurt Pakistan financially, but would smack of using humanitarian food aid as a political weapon. On the other hand, the mood in Congress could become sufficiently hostile to even put PL-480 funds at risk.

-- Cutting off CCC and EXIM financing would also hurt the GOP financially, since Pakistan will continue to require short-term financing of commodities as well as long-term financing for aircraft for PIA. (Short-term CCC credits ran at about \$100 million in FY-1978. EXIM exposure is now \$84.4 million.) The financial effect would depend on world-wide commodity availabilities and the willingness of other aircraft suppliers to step in to displace US suppliers and provide necessary credits;

-- Our ability to participate in debt rescheduling is not precluded by the Symington Amendment. Nevertheless, we could refrain from cooperating with other countries on debt relief for Pakistan. In fact, if Pakistan were on the verge of default, US non-participation would be resisted by other creditor countries. If we did refuse to participate in

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multilateral rescheduling, Pakistan would probably default on US debts, thus damaging its international financial reputation and making it more dependent on loans from OPEC countries;*

-- We could also vote against all development bank loans for Pakistan. However, they would probably be approved at any rate on development grounds, and our action in using the international banks as a tool in our non-proliferation policy would represent a new step on our part which would intensify IFI and member country concerns over politicization of lending criteria.

2. Multilateral Actions

As noted at the outset, other key countries are likely to be reluctant to impose sanctions on Pakistan. We could in the first instance explore with other key governments their views on possible sanctions (as well as inducements) and urge that they express at least their general concerns about Pakistan's programs to the GOP. Should we wish to go further and seek specific parallel punitive action (or inducements), we would have to make an appeal at the highest political level.

An obvious sanction in the area of nuclear energy would involve agreement by the few supplier states that could provide nuclear power plants to Pakistan to condition sales on commitments not to prematurely pursue sensitive facilities. There is evidence of Pakistani concern over future energy supply, but even if this concern could compete with

*Treasury seriously questions the logic of this sanction. If the purpose of the sanction is to punish or penalize Pakistan then this action does not meet the test. Assuming Pakistan was faced with default or imminent default, we would want to conclude a rescheduling agreement in order to be repaid. To refuse to reschedule under these circumstances is equivalent to giving the GOP 100% debt relief. Therefore, under the proposed sanction the USG is penalized, not the GOP. Furthermore, the argument that absence of a rescheduling agreement would damage Pakistan's creditworthiness is moot since that country receives virtually nothing but official capital flows. The largest portion of official capital would continue to flow irrespective of Pakistan's credit standing.

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their motivation for going ahead with current programs, it is unclear whether a supplier boycott would be credible over the long term.

While the UK, France and other Allies have some leverage in Islamabad, the two key countries in this process are China and Saudi Arabia.

China: As a result of our discussions with Deng in January, the PRC has made a demarche to Pakistan. We are seeking clarification of its content but thus far it has clearly had no impact on Pakistan's nuclear policy. The PRC may be prepared to "lean hard" on the GOP in terms of exhortations, but will wish to avoid risking their close relationship by any punitive measures. The Chinese will probably continue to urge that we meet Pakistan's security requirements and it is possible that if we were to do so in a significantly visible way, they would then even throw their political and military supply weight behind our nuclear efforts if we urged them to do so. We should keep the Chinese informed of our plans, particularly if they are likely to result in an exacerbation of US-Pakistani relations which could directly affect Chinese interests.

Saudi Arabia: We assume that the GOP has already placed its case before the SAG, presumably contending that the US is seeking to prevent Pakistan's peaceful nuclear development and implying -- perhaps quite explicitly -- that the underlying intention is to deny the Muslim world a nuclear weapons capability which Israel already has. We need to move promptly to set the record straight with the Saudis at a senior level, warning them of the highly destabilizing effects of Pakistan's present efforts, not only on South Asia but for the Middle East as well.

While Saudi Arabia has considerable influence in Islamabad, we are doubtful, given the present mixed state of US/Saudi relations, that the SAG would be prepared to use its leverage to any marked degree. Even if moderate Arabs like the Saudis were to weigh in against Pakistani nuclear efforts, the radicals, such as Libya and Iraq and potentially even Iran, might be prepared to provide economic support sufficient to offset any threat of a reduction of Western and Saudi aid (possibly in exchange for

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nuclear cooperation from Pakistan). The Pakistanis would be faced with a difficult choice if accepting such support were clearly to incur Saudi disfavor, but might seek to do so clandestinely.

Soviet Union: The approaches suggested above have not included the Soviet Union. The Soviet position on non-proliferation has been consistent; they are an NPT depository state; they are a member of the Nuclear Suppliers Group; and they have previously cooperated with us on South Africa. It is possible Moscow might be responsive to an approach to exert pressure of its own on Islamabad, particularly since this would also serve Moscow's interests with India and might be exploited by the Soviets to intensify Soviet-Indian relationship. If the Indians launch a major public campaign on Pakistan's nuclear intentions, which they may now to starting, the Soviets may quickly echo India's charges and even take the lead in international criticism of Pakistan's actions. Nevertheless the Soviets are unlikely to have any real influence with Pakistan, and our involvement of Moscow in our diplomatic efforts may pose a serious risk to Chinese and Saudi cooperation. Closer Soviet-Indian policy coordination against Pakistan will intensify our own policy dilemma in dealing with the nuclear/ security concerns of the Pakistanis.

South Asian Nuclear Approach: Mutual Renunciation of Nuclear Option

The key issue here is whether India would be willing to accept and formalize limitations on its own nuclear options in order to convince Pakistan to forego its nuclear option.

Ever since the Indian nuclear explosion of 1974, Pakistan has proposed the establishment of some sort of South Asian Nuclear Weapons Free Zone (SANWFZ). This concept has never really been fully spelled out in detail by Pakistan, but India consistently and, indeed with increasing firmness, has opposed the proposal on the grounds that South Asia is an artificially restricted area (it excludes India's neighbor China) and discriminatory restrictions are unacceptable. Prime Minister Desai stated India is opposed to regional or partial solutions to the issue of disarmament and that India specifically is opposed to nuclear weapon free zones at the 1978 Special UN Session on Disarmament. Most recently senior Indian officials reiterated

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their opposition to Deputy Secretary Christopher in strong terms. Desai and Zia have just recently exchanged letters on nuclear policies on the subcontinent in which Pakistan reiterated its proposal, with no encouragement from the Indian Foreign Secretary when Zia's letter was handed over. China has consistently supported Pakistan on this issue and the USSR has either supported India or abstained in the UN.

There is little doubt this approach would serve our non-proliferation and security interests in the region and, if feasible, would present the best prospect for preserving our bilateral relationship with both India and Pakistan (bearing in mind our need to preserve our options for moving US forces -- including nuclear weapons -- within the area). Although there are a number of variants which could be considered, the two viable alternatives we might attempt to persuade India and Pakistan to consider, despite the dismal historical record on our previous attempts, are:

(A) A bilateral Indo-Pak treaty on non-development/non-use of nuclear explosives, with the five nuclear weapons states signing a non-use/non-introduction protocol (similar to Tlatelolco approach for Latin America); and ..

(B) A bilateral agreement between India and Pakistan for mutual inspections (or by a third party) along with a non-development/non-use treaty or perhaps, less desirably, joint adherence to the CTB.

In one sense, Option (A) might seem to be marginally more acceptable to India, at least if China would join and if it would engage all nuclear states in a CTB commitment as well. Pakistan has informed us that it would accept the obligation involved in Option (B), though it probably made this offer on the assumption that its bluff would never be called by India and we have never explored precisely what level of inspections the Pakistanis would seek (e.g., of the existing Indian Plutonium stockpile?)

A purely bilateral statement of Indian or Pakistani purpose or policy with regard to nuclear explosives will not be sufficient. An Indian statement would not meet Pakistan's concerns that even if India is not currently building nuclear weapons, it

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may have developed them earlier and have them stored away from its nuclear facilities. A Pakistani statement, in the absence of inspection, would not eliminate Indian concern that Pakistan may continue to pursue a covert weapons program. If both states agreed to adhere to a CTB, this could serve to further strengthen any bilateral commitments but may not be sufficient to allay mutual concerns.

It is important to recognize that both versions are still basically variants of a SANWFZ and, therefore, probably unacceptable to India. It is problematic whether appeals to Indian self-interest ("prevent Pakistan from going nuclear") or to the objective desirability of insulating the subcontinent from nuclear threat from China or any of the Great Powers would be effective in persuading the Indians to alter their position. Nor would the Soviets be likely to subscribe without Indian approval although the new environment created by Pakistani nuclear efforts could lead to some Soviet reassessment as to whether they should privately encourage India to review its stand." One concern should be whether the Soviets would attempt to shift the focus to their old "Asian Security Zone" concept. What little prospect may exist for opening this issue again would depend upon an appeal to Desai on the basis of high moral principle and statesmanship to consider the global benefits of a revised Indian position and of an assertion of Indian leadership in cooperating with Pakistan to avert proliferation in the subcontinent which: (a) might gravely damage prospects for stability as well as for such future measures as a CTB, and (b) increase the likelihood of the spread of nuclear weapons elsewhere.

The Indians in the past have been prepared to stand relatively isolated in opposition to the measures envisaged in this approach. Pressure from Waldheim, key non-aligned countries whose good opinion India values (such as Yugoslavia, Algeria, Nigeria, and Iraq), and Scandinavian countries might have some impact on India and the support of all these elements would have to be brought to bear for this option to have any chance of success.

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In presenting any of the regional renunciation options to the Indians, we could consider whether an assurance of a continued Tarapur fuel supply under a Presidential waiver after 1980 could be offered, at some stage, to gain Indian support, particularly in connection with approaches that involve inspections. If only a waiver were sought, however, it would not solve the substantial problem of NRC licensing for each fuel shipment. On the other hand, an amendment to the NNPA could provide for continued fuel supplies to Tarapur, notwithstanding other provisions of the NNPA, provided specified conditions on safeguards, reprocessing and nuclear explosive development were met. This would not be an easy course to follow, and it would also risk antagonizing the Indians on this hypersensitive issue, since they consider that the US already has an international contractual obligation to supply the fuel. While the "waiver" issue would probably not be a determining element in an Indian decision, we need to recognize that the Tarapur supply issue has potential for upsetting any dialogue with the Indians.

Bilateral US or Other Security Treaty
Agreements with Pakistan

Although Pakistan has just withdrawn from CENTO, it has on numerous occasions asked that the US sign a treaty with Pakistan similar to the Soviet-India 1971 treaty of peace, friendship and cooperation. The essential relevant security obligation in the Indo-Soviet Agreement (Article 9) states that each party will abstain from providing any assistance to any third party that engaged in armed conflict with the other party. It further states that "in the event of either party being subjected to an attack or a threat thereof, (each party shall immediately enter into mutual consultations in order to remove such a threat and to take appropriate executive measures to ensure peace and security of their country."

There would appear to be three alternative methods of providing Pakistan with a security guarantee comparable to the Indo-Soviet Agreement: (a) a bilateral

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US-Pakistan Treaty; (b) other bilateral or multilateral treaties or agreements; and (c) a revised US-Pakistan executive agreement.

The Indo-Soviet Treaty differs from the US obligation to Pakistan under the 1959 bilateral Executive Agreement in being open-ended while the US obligation is specifically linked to the Congressional Joint Resolution on the Middle East which deals only with threats from nations controlled by "international communism". (Texts of the 1959 Bilateral and the Middle East Resolution are at TAB C).

This raises several questions: Whether US vital interests are engaged in the area which would warrant a new and more open-ended commitment to Pakistan which could implicate the US in a Pakistani conflict with India and Afghanistan, and engage the treaty partner of those countries, the USSR? Whether a bilateral treaty version of the terms of the 1959 Executive Agreement or a broader version of that agreement with mutual defense treaty language would be approved by the Senate? What the impact of concluding such a treaty could be on India, the Soviet Union, and the other countries in the region? Whether such a treaty, along with other inducements, would convince Pakistan to drop its weapons program?

Congressional and public reaction would depend on the terms of the treaty and the degree of new US commitment involved. It would probably be difficult to gain support for even a limited new treaty commitment and a broader, unlimited version would be even harder. The argument that such a commitment would not only forestall a Pakistan nuclear capability but potentially prevent transfer of such a capability from Pakistan to other Arab states might, however, have an impact on Congress.

India would logically have little basis for complaint if Pakistan and the US concluded a treaty which only reaffirmed what is in the present agreement and which, in substance, went no further than India and Afghanistan had with their Soviet treaties. In fact, however, the Indian political reaction would probably be strong. The GOI would assume the treaty carried with it a US commitment to markedly enhanced military sales and assistance to Pakistan to which

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they would bitterly object despite their own procurement of advanced aircraft and other military equipment from the West as well as the Soviets. The most relevant consideration here may be what sort of treaty the Pakistanis would value. In those terms they may only consider useful one which did not alienate the Indians from the US, that is, one which forced the US to choose Pakistan over India.

Another approach would involve an initiative by the present nuclear weapon states not to use or threaten to use nuclear weapons against India or Pakistan so long as they refrained from development, acquisition, testing, storage, use, or threatened use of nuclear explosives, and agreed not to assist any other state or entity in doing so. Such an initiative would not require agreement by India or Pakistan, but it would help strengthen Desai's hand in heading off a resumption of the Indian nuclear explosive program, and provide India with some assurance against a Chinese nuclear threat. It would also help provide Pakistan with an incentive to discontinue its own program so long as these assurances were linked to an Indian decision not to undertake a nuclear weapons program. Apart from the problem of getting Chinese and Soviet adherence, this approach does not by itself meet current Pakistani concerns and would have to be part of a considerably richer package.

There is no reason to assume that a US-Pakistan Treaty would have to deal with the question of Pakistan's borders. We could separately repeat the US position that the Durand Line is the border between Pakistan and Afghanistan and that we consider the ultimate status of Kashmir to be unresolved.

Yet another approach to bolstering Pakistan's security concerns would be a bilateral Indo-Pakistan non-aggression treaty. Such a proposal has often been made by India but has consistently been rejected by Pakistan on the grounds that it would prejudice the final status of Kashmir as well as, in private, the more emotional grounds that it would reinforce Indian aspirations for "hegemony" in South Asia.

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A broader non-aggression treaty among all the countries of South Asia has considerable appeal but it likely to run into the same problem. It is unlikely that China and the Soviet Union would be prepared to participate with the US in subscribing to such a Treaty, either as members in a separate protocol, or in an independent unilateral statement. Unless both China and the USSR agreed to do so, such a Treaty would have even less appeal to India and Pakistan.

Another possible assurance to Pakistan might come from a formal Pakistan-China treaty commitment, which, in order to advance our objectives, would have to include nuclear weapons development restraint as a condition to offering such a treaty to Pakistan. Such a treaty would almost certainly intensify Indian alarm, however, and would strengthen pressures within India to pursue its own nuclear weapons option and intensify its security relationship with Moscow. The Chinese have not concluded new security agreements with any countries since the early 1950s and it is uncertain whether they would in any event be willing to do so with Pakistan, since it could prejudice their effort at rapprochement with India and limit China's future flexibility in dealing with the Subcontinental states.

China's adherence to a CTB would be a major new element in the equation and would offer the greatest likelihood of persuading India to agree to adhere to such an agreement and possibly even to reevaluate its position on a mutual renunciation of nuclear weapons for the subcontinent. While prospects for such action by China do not appear high, we should review immediately the questions of pursuing the issue with Beijing and the timing of such an action.

A modified US-Pakistan Executive Agreement would have no significant advantages unless it markedly advanced the level of commitment or assurance by the US. Such an agreement would probably have to make explicitly clear, unlike the 1959 agreement, that it was applicable to a threat from any source to Pakistan's security and integrity. An assurance this broad would be attractive to Pakistan (although not as attractive as a Treaty) but would raise serious legal questions and probably give rise to insurmountable objections from Congress.

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We might also consider limiting the terms of a bilateral or multilateral security guarantee to Pakistan to include only a guarantee against nuclear attack. This, however, would not address Pakistan's concern about its inferiority vis-a-vis India in conventional arms which is its current rationale for seeking a nuclear explosives capability, would focus all attention on India, as the only plausible nuclear threat in the area, and thus be particularly objectionable to India, and would be no easier to get through Congress than a more general security treaty.

Policy Action

The elements of a strategy for responding to the South Asia nuclear issue have been outlined, but they have purposefully not been assembled into discrete packages for decision. That is appropriately left to a decision memorandum.

It should be kept clearly in view, as has been emphasized repeatedly earlier in this paper, that the prospects are poor that any approach will be successful in deflecting Pakistan and India from continuing their current nuclear programs. Rising public discussion in India on Pakistan's programs will intensify psychological and political resistance on both sides to retreating from any of their existing positions and thus weaken even further the likelihood that quiet diplomacy aimed at achieving rational goals will be successful in the short run. This suggests the need for us to examine with great care the effect of any of the measures contemplated above on our longer-term interests not only in South Asia but elsewhere in the world. This is particularly true for actions involving new treaty commitments or a major shift in our arms sales policy toward the region.

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TAB A

Likely Pakistan-Indian Nuclear Courses of
Action if Present Policy Trends Continue

Even though the US reacts to covert Pakistani nuclear efforts by cutting off development aid under the Glenn and Symington Amendments, Islamabad will continue full speed along the path toward a "peaceful" nuclear explosion. The prospect of losing US aid is not enough to deter Islamabad in its nuclear explosives effort. In addition to his need to assuage Pakistan's strong feelings of insecurity, Zia needs a boost on the domestic scene. Zia and all political and military groups in Pakistan are likely to resist a change in nuclear programs which might appear to have come as a result of Indian pressures. Any Government that is likely to succeed Zia would probably continue the program without interruption.

The Pakistanis are likely to proceed with reprocessing, at least in the laboratory facility at PINSTECH. If they used that facility to process small quantities of spent fuel from the KANUPP reactor, sufficient plutonium for a single device could be separated by 1982. Following the enrichment route, however, sufficient HEU for a weapon could be available by 1983, and a production time capability would be in place for small nuclear weapons programs. The Pakistanis will probably put off a test until they have accumulated enough HEU for at least two, and possibly more devices. Thus, while a test would technically be feasible as early as 1983, it may be more likely to come in 1984.

Islamabad is moving closer to the militant Islamic camp internationally. Most worrisome are Islamabad's ties with Libya, which is known to be interested in nuclear cooperation. Zia, like Bhutto before him, may be leaning toward trying to solve Pakistan's problems by trading nuclear explosives capability for financial aid.

Indian reaction to Pakistan's nuclear progress is likely to be cautious at first, but many Indians will have great difficulty tolerating a nuclear armed Pakistan capable of inflicting serious damage on

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India. The immediate impact of Pakistan's covert explosives effort on India's nuclear program may be twofold -- it may make New Delhi even more unwilling to agree to any kind of safeguards proposal that forecloses its options, and it may make New Delhi even more strident in opposing significant arms sales to Pakistan. Desai's domestic critics will try harder to push him to drop his opposition to nuclear explosives, but he probably can resist the pressure so long as Pakistan does not have an explosives capability. However, Desai may eventually have to publicly authorize explosives research to convince his opponents that he is prepared to get tough with Pakistan if it continues to pursue a nuclear weapons option.

Until the Indians are convinced that an operational Pakistani nuclear capability exists (which could be equivalent in Indian minds to sufficient fissionable material for a device, whether Pakistan showed signs of testing or not) Desai may be able to convince his supporters that India can still handle Pakistan with conventional means because of its overwhelming superiority and its ability to strike almost at will at selected targets in Pakistan, including nuclear facilities. The likelihood of an Indian preemptive strike at Pakistan's nuclear facilities, perhaps marked by a renewed conflict over Kashmir or some other non-nuclear issue, would increase sharply after that point.

SECRETStatus of Military Sales to Pakistan

1. We have agreed to provide the following items to Pakistan through FMS cash sales. All costs are rough order of magnitude estimates and should be treated with discretion.

Rough Order of Magnitude Cost Estimates - Items We Have Agreed to Sell

<u>Item</u>	<u>Quantity Priced</u>	<u>Estimated Cost (\$ millions)</u>	<u>Status/Availability</u>
155mm Howitzers	64	44.0	36(b) notification being held at GOP request until GOP resolves funding. Availability approximately 34 months from LOA signature.
Destroyers	4	1.1	Congressional notification and review ongoing. Available 1 Oct 1979.
Destroyer Tender	1	0.5	USN preparing enabling legislation.
F-5E	76	800.0	31 months.
Vulcan (towed/ self-propelled)	48	30.0/65.0	31/41 months.
C-130	1 ^{1/}	10.5	18 months.
Helicopters (UH-1B/UH-1M)	13/7	5.0	Unknown. ^{2/}
Night Vision Devices	3 [/]		
Surveillance Radars	3 [/]		
TOTAL COST		\$890-\$930 ^{4/}	

^{1/} Quantity not specified in Pakistani request.

^{2/} Excess U.S. helicopters are available, but need major factory overhaul.

^{3/} Type and quantity unspecified. Cost estimates will vary widely, depending on type and amount sold. No meaningful estimate can now be made.

^{4/} Numbers do not add due to rounding.

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11. In addition, we expect to have a three-man team in-country mid-April evaluating Pakistan's air defense needs. The Pakistanis have expressed general interest in the items on the following list. However, they have not yet expressed interest in any of these items. With the exception of Redeye, we would probably be willing to sell these items.

Rough Order of Magnitude Cost Estimates - Items in
which Pakistan is Interested

<u>Item</u>	<u>Quantity Priced</u>	<u>Estimated Cost</u> (\$ millions)	<u>Status/Availability</u>
I-HAWK SAM	1-2 battalions	95-190	30-34 months.
Redeye SAM	100-300 ^{1/}	1.5-4.5	None available.
M-60 Tanks	50-100 ^{1/}	45-190	Beyond 1983.
Minesweeper	1- 2 ^{1/}	11- 22	36 months.
Hydrographic Ship	1	0.6	4 months.
Antisubmarine Helicopters (AHIS-TOW)	25- 50	75-150	27 months.
MD-500 Helicopter (TOW)	25- 50	50-100	27 months.
M-48 Tanks ^{2/}	50-100	12- 50	Unknown.
TOTAL COST		\$292-675 ^{3/}	

- ^{1/} Quantity not specified by Pakistanis. Numbers used for calculating estimated costs only.
- ^{2/} Due to shortage of tanks in U.S. inventory, no U.S. M-48 tanks would be surplus until 1985. Under Secretary Benson advised the Pakistanis in her November 1978 trip that the U.S. would probably look with favor on a third-country source if Pakistan would first and negotiate a sale.
- ^{3/} Numbers do not add due to rounding.

111. The Pakistanis have also expressed interest in the following items, but we indicated during Under Secretary Benson's November 1978 trip that we were not prepared to make them available to Pakistan.

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**Rough Order of Magnitude Cost Estimate -
Items We Have Denied**

<u>Item</u>	<u>Quantity Priced</u>	<u>Estimated Cost (\$ Millions)</u>	<u>Status/Availability</u>
A-7	40	360-420	Unknown
F-16	40	440-480	Unknown.
F-18	40	700-800	Unknown.
Harpoon Missile	32	16- 20	Unknown.

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