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Intelligence Memorandum

Negotiations Approach in South Asia

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23 March 1972
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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
23 March 1972

INTELLIGENCE MEMORANDUM

Negotiations Approach in South AsiaSummary

New Delhi and Islamabad are edging toward negotiations aimed at settling issues arising from India's decisive victory over Pakistan in December. Both sides publicly and privately claim they want talks, but date and agenda are yet to be agreed upon. The removal of virtually all Indian troops from Bangladesh in mid-March removed a major obstacle, but other impediments remain. A major barrier to early negotiations over the important prisoner of war issue arises from India's insistence that Bangladesh also participate, Prime Minister Mujib's refusal to join in talks with the Pakistanis unless Islamabad first extends formal recognition to his government, and, finally, President Bhutto's reluctance to grant such recognition.

Bhutto's delay in accepting Prime Minister Gandhi's offer for "unconditional" bilateral talks reflects apprehension over India's declared aim of establishing a "durable peace" on the subcontinent. This carries a suggestion to Pakistani ears that India wishes to go beyond the settlement of issues arising from the December war and to get Pakistan to concede the finality of the partition of Kashmir and to forgo military competition with India.

Note: This memorandum was prepared by the Office of Current Intelligence. It was coordinated within CIA.

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A year ago significant Pakistani concessions on Kashmir would have been out of the question. There are indications now, however, of growing tolerance in Pakistan for an agreement on a permanent Kashmir border if this would stabilize relations with India. Bhutto's recent statements suggest he may be signaling a serious desire for such stable relations. His political position is growing stronger, but he cannot be sure how far domestic tolerance goes, particularly among the previously dominant military, for major concessions toward India.

In preparation for the anticipated negotiations, Bhutto is trying to bolster Pakistan's position vis-a-vis India with additional support from the US and China, the major powers Pakistan considers its allies. He is also attempting to mend relations with India's firmest supporter, the USSR.

India will come to the conference table in a vastly superior position. It is far stronger militarily, it holds 94,000 Pakistani prisoners, and it occupies some 6,000 square miles of Pakistani territory. Pakistan's bargaining assets are minimal. It holds 600 Indian prisoners and less than 100 square miles of Indian territory. Bhutto has some negative bargaining counters. Pakistan has not yet recognized Bangladesh, which India would like to see, and Bhutto retains the option to continue Pakistan's traditional "policy of confrontation" with India. The maintenance of current defense establishments is far more of a burden to Pakistan than India, but in both countries military spending retards economic development.

If negotiations do evolve, their outcome will depend heavily on Indian magnanimity and on how far Bhutto and Pakistan can afford to bend.

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Scenario for the Talks

1. Both India and Pakistan claim they want peace negotiations. In mid-February India informed UN Secretary-General Waldheim that it was ready for direct peace talks with Islamabad "at any time, at any level, and without preconditions." President Bhutto has repeatedly stated his willingness to meet with Prime Minister Gandhi, but he probably considered the withdrawal of all Indian troops from Bangladesh a prerequisite. The withdrawal of most of these forces in mid-March removed a major impediment to negotiations but other problems remain.

2. According to New Delhi, Indo-Pakistani negotiations must be bilateral, except in the case of repatriation of prisoners captured in the East. The Indians claim Bangladesh must participate in talks on this matter because the Pakistani forces surrendered to a joint Indo-Bangladesh command.

3. In recent years India has opposed involvement by the UN or third parties in Indo-Pakistani disputes, claiming little has been accomplished by such participation. On the other hand, Pakistan, the weaker party, has generally sought outside support as a means of internationalizing various problems and gaining sympathy. The press and foreign diplomats in New Delhi have speculated that an early Indo-Pakistani summit is likely and the city is thick with rumors that talks will begin shortly. Nonetheless, India, with time on its side, is in no hurry to get talks started. In part, this reflects skepticism among Indian officials that Bhutto, who is regarded more as a popular orator and clever politician than a statesman, will remain long in office. New Delhi apparently prefers a civilian government under Bhutto than a reversion to military rule.

4. There are bound to be problems in agreeing to an agenda. New Delhi favors a review of "all outstanding issues" between the two nations,

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apparently on grounds that recent changes on the subcontinent offer the best chance since the 1947 partition for a lasting Indo-Pakistani settlement. India, however, appears to be aiming for the ultimate--a final resolution of the Kashmir dispute and an end to Pakistan's "policy of confrontation." Bhutto's views on the scope of talks is unknown, but Islamabad probably would prefer to stick to issues evolving directly from the December war.

5. In any event, India approaches negotiations from a position of strength. It emerged from the 14-day war holding all the trump cards: decisive military superiority; an independent Bangladesh; sizable territorial gains on the western front, and 94,000 Pakistani civilian and military prisoners. Furthermore, the conflict did little damage to the Indian economy, and Prime Minister Gandhi's already strong political standing further enhanced by her sweep of the state elections in early March. India's military spending last year went up about \$220 million, some 20 percent over fiscal 1971. (The Indian fiscal year begins in April.) The increase was financed largely by new government revenue measures. Military hardware expenditures amounted to about \$150 million. The USSR may replace some of the more sophisticated equipment through long-term credits payable in rupees, while India's own defense industry can replace most of the aircraft, heavy weapons, ammunition, and small arms. In addition, the economic burden of refugee care has been drastically reduced by the return to Bangladesh of virtually all the ten million refugees who fled to India in 1971. The resumption of trade with Bangladesh, severed by the Indo-Pakistani war of 1965, may add five percent to India's annual exports.

6. In sharp contrast, Pakistan's options are minimal. Negotiating assets are practically nil: a few parcels of occupied land in the west, 600 Indian prisoners, and Pakistani recognition of Bangladesh. Pakistan's overall domestic prospects are difficult to assess as the new government

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under Bhutto feels its way in the face of domestic unrest and economic problems. The economy requires time and prudent leadership to adjust to the loss of its captive markets and foreign exchange once provided by the east wing. But prospects are favorable for the resumption of foreign aid and the rescheduling of Islamabad's debts to the Western consortium. Pakistan can recover economically, given political stability and pragmatic economic policies.

7. Bhutto will have to strike a delicate bargaining balance at the conference table. He cannot afford to be unreasonable, but neither can he concede more than his country will tolerate. Peering over his shoulder will be the military-- still the strongest organized element in Pakistan. The armed forces have fallen on hard times as they attempt to adjust to humiliating defeat and loss of control of the government after 13 years. Bhutto's sacking of army and air force chiefs on 3 March appears to have further reduced the military's political role. But if Bhutto were to appear too soft toward India, particularly on territorial questions, elements in the military might be tempted to move against him.

8. Bhutto has tried, with some success, to exonerate the bulk of the armed forces by blaming the Yahya regime for the loss of East Pakistan. Even so, sentiment within the army and among conservative religious factions, students, and other segments of the public favors a continued confrontation with India. Bhutto has already clashed with some military officers over this, but he is trying not to antagonize the army and may have agreed, at least for the time being, to maintain current force levels and disproportionate budget allocations. The military is also anxious for a return of Pakistani prisoners/

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9. Bhutto's stance toward India is conditioned by Pakistan's relations with Communist China, the US, and the USSR. Chinese support is vital as a counterweight to India, and Peking is Pakistan's major present supplier of military equipment, as well as a source of sizable economic assistance. The relationship has limitations as was obvious during the Indo-Pakistani war, when Peking failed to lend more than diplomatic and propaganda support. During Bhutto's trip to Peking in February the Chinese proved unwilling to increase their political support for Pakistan or to extend significant new economic assistance. Four previous loans were converted into grants and re-payment of a 1970 loan of \$200 million was deferred for 20 years. Peking spoke vaguely of additional loans later.

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10. Islamabad is also looking for indications of US support--diplomatic and economic--to buttress its position vis-a-vis India. Pakistan welcomed President Nixon's trip to China since Islamabad counts the US and China as its most important friends and supporters.

11. At the same time, Bhutto has made special efforts to mute criticism of the USSR--a distinct about-face from former president Yahya's last-ditch effort to blame Pakistan's defeat on Soviet support for India. Despite Moscow's firm backing of India and Bangladesh, Bhutto apparently considers that improved relations with the Soviets are in Pakistan's long-range interest, and he tried his hand at personal diplomacy during a trip to Moscow between 16-18 March. He did not gain much ground.

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How it Began

The dispute over Kashmir began when the Hindu Maharaja of Kashmir declared for India in 1947. In succeeding months Indian troops moved into Kashmir, and Pakistani guerrillas soon followed. Though both sides accepted the principle of holding a plebiscite to ascertain popular wishes, a deadlock resulted when Pakistan refused to recall its invading tribesmen and other personnel prior to the referendum unless Indian troops also withdrew. In 1949 a cease-fire line established under UN auspices gave India control over about two thirds of the original state of Jammu and Kashmir. This included most of Jammu, Ladakh, and the fertile Vale of Kashmir with its capital at Srinagar. Overall, Muslims constitute an overwhelming majority of the 4.6 million inhabitants. Pakistan's portion called Azad Kashmir (Free Kashmir), is an impoverished 40-mile strip of land west of the cease-fire line containing about one million people, almost all Muslims. Ostensibly, Azad Kashmir is independent and claims to be the legitimate government for all Jammu and Kashmir. In actuality it is a pawn of Islamabad. The regions north and northwest of the 1949 line, consisting of a collection of small princely states and tribal areas, fall for administrative purposes within Pakistan's Gilgit Agency.

To New Delhi, Indian-held Kashmir's inclusion in the Indian Union is "complete, final, and irrevocable." It is of little economic significance to India, but Kashmir is important to Pakistan because it contains the headwaters to most of the rivers on which Pakistan depends for irrigation purposes. Pakistan also covets the Vale. There is little contention over India's continued hold over Jammu and Pakistan's possession of Azad Kashmir and the northern principalities.

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12. The Kashmir dispute still lies at the heart of Indo-Pakistani antipathy, and it is bound to figure prominently in any Indo-Pakistani negotiations. Bhutto has made few public references to Kashmir since assuming office in late December. In an interview on 18 February he singled out the Kashmir dispute as a long-standing Indo-Pakistani problem. He indicated that he was still assessing the "Indian trend of mind" before deciding on how to approach the problem. For all that, Bhutto recognizes that India has what it wants in Kashmir and is both able and determined to keep it. In an interview with Indian newsmen in mid-March, Bhutto took a seemingly more flexible line on Kashmir, claiming the dispute should be resolved by the Kashmiris themselves. In negotiations with India, Islamabad probably would focus on the most promising short-term objective--reaffirmation of the status quo ante along the 800-mile cease-fire line of 1949.

13. In bargaining for Pakistani territory captured in Kashmir in December, Bhutto would be bound by domestic pressure, particularly in areas near the border, to reject Indian efforts to retain any of the approximately 228 square miles India seized. Pakistan took about 48 square miles in the Chhamb sector of Kashmir and an equal amount in several areas of India farther south. The Pakistani military would press Bhutto to resist an Indian attempt to convert the 1949 cease-fire line into an international boundary that would, in effect, dissolve Pakistan's demand for a plebiscite to determine Kashmir's final status.

14. India would like a definitive settlement of the Kashmir problem--Pakistan's acknowledgement that Kashmir's accession to India is legal and final and that the Indian state of Jammu and Kashmir is an integral part of India. Indian officials probably realize that Bhutto, even with his high credibility among the Pakistani masses, would be unlikely to risk such a

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concession. India probably will attempt to get Pakistan to accept a permanent border near the 1949 cease-fire line, and Prime Minister Gandhi has already claimed, "There is no longer any cease-fire line in Kashmir." The Indians will want border adjustments at certain strategic points in order to plug the routes used by Pakistani infiltrators in the past and to end the Pakistani threat to Indian lines of communication from certain high ground. The Indian position along the cease-fire line has been weakened in a number of spots by the closeness of Indian supply routes to Pakistani territory. The several outposts New Delhi is determined to retain include one at Kargil where Pakistani positions overlooked the Srinagar-Leh road, the principal supply route to Indian troops in Ladakh. New Delhi may be willing to return some captured Kashmir territory in exchange in order to make the Pakistani losses more palatable.

15. The Kashmir problem is so deeply emotional, however, that negotiations may yield no more than a tacit agreement that neither side will attempt to press its claims by force and that both will respect the 1949 cease-fire line with the limited rectifications desired by New Delhi.

Military Withdrawals

16. A mutual agreement to thin out forces along the western front might also be possible. At present about 180,000 Pakistani troops face some 250,000 Indians. Each side has been guilty of numerous cease-fire violations, but so far the breaches have not been serious and are similar to those that followed the 1965 war. India has minimized these violations but Pakistan, largely to focus international attention on the problem, periodically publicizes them and routinely submits a list of alleged violations to the UN. Pakistan maintains India is entrenching itself

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on Pakistani territory by forcing out the Muslim inhabitants and constructing permanent defenses. New Delhi has denied these allegations, as it has denied accusations of an Indian military build-up in Kashmir.

17. In mid-February Islamabad attempted to get support for a special Security Council session to consider the border situation, possibly leading to the posting of a UN observation team along the 1971 cease-fire line below Kashmir. (UN personnel have monitored the Kashmir cease-fire line since 1949.) Islamabad has halted this effort to get the UN re-involved, at least for the time being, because of the absence of a critical situation along the border, the likelihood of a Soviet veto, and international concern that acrimonious debate in the UN might only endanger the prospects for Indo-Pakistani negotiations.

18. Meanwhile, India has withdrawn its only armored division from the border area to its home base some 400 miles away. With 13 infantry divisions and three independent armored brigades remaining, this withdrawal does not greatly reduce Indian capabilities along the border.

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The Indian Army has returned to its prewar leave policy, and reserve units called up prior to the war are being demobilized.

19. The home bases of Pakistani units are close to the border, making the question of withdrawal less of an issue in the case of India.

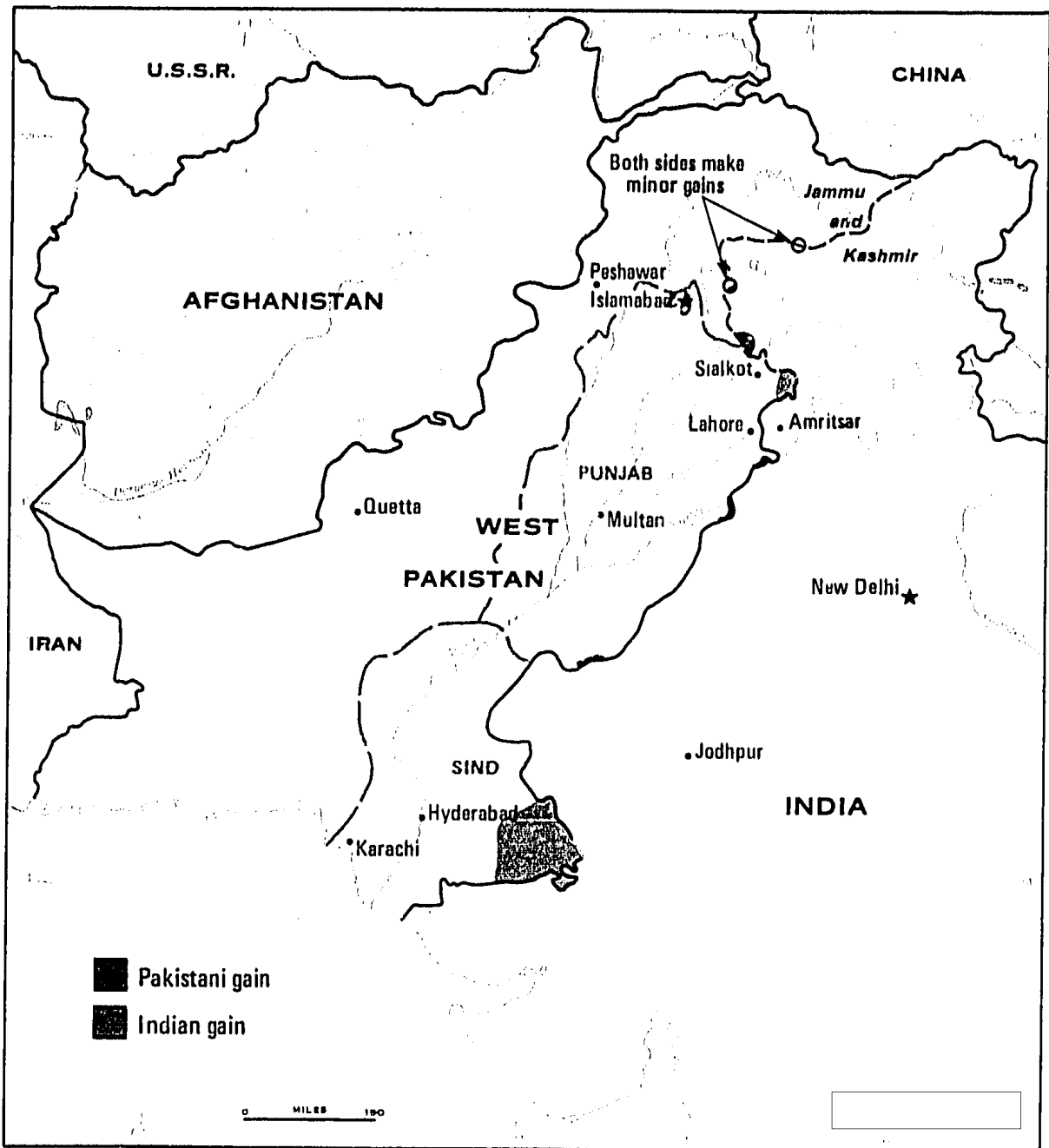
Other Captured Territory

20. South of Kashmir, India holds some 5,000 square miles of Pakistani territory. The largest single slice is relatively unproductive land in

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Sind Province. Of far greater significance to Pakistan is India's occupation of roughly half of Sialkot District in Punjab Province, Pakistan's breadbasket, east of Lahore. Between 700,000 and one million Punjabis have left their homes there and registered as refugees in special Pakistani relief centers. A Pakistani official estimated that nearly half a million acres of crops, mostly wheat to be harvested in May, as well as livestock, numbering in hundreds of thousands, have been lost in the Punjab alone. Another 75,000 Pakistanis from Azad Kashmir and 425,000 from Sind have also been forced off their land as a result of the war. A group of Western aid donors is cooperating with Islamabad to provide relief supplies to some 1.2 million refugees, but about two million may be directly affected altogether. So far, the refugees themselves have not become a serious political or economic problem for the government, but Islamabad is aware that the situation could become troublesome.

POW Repatriation

21. Domestic pressure in Pakistan for the return of occupied territory is coupled with a growing demand for repatriation of the 94,000 civilian and military personnel stranded in Bangladesh by the end of the war. Pakistan, with only some 600 Indian prisoners, has negligible bargaining leverage on this issue. The problem is complicated for Bhutto by New Delhi's insistence that repatriation negotiations include Bangladesh. During Mrs. Gandhi's visit to Dacca on 17-18 March, a Bangladesh spokesman affirmed that none of the Pakistani prisoners will be repatriated until the Bhutto government extends recognition to Bangladesh. Under the auspices of the Red Cross a small gesture of goodwill occurred, however, in the exchange of gift packages and mail for the captives. In addition, the first exchange of a small number of seriously ill and wounded prisoners took place in late February. Dacca has now approved the release of an additional 100 sick prisoners not accused of war crimes.

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Other Issues

22. A number of other issues could be raised in the talks. Both sides probably favor restoration of diplomatic relations, broken unilaterally by Islamabad on 6 December, and the return of ambassadors to their posts in New Delhi and Islamabad. There might be some movement on the restoration of communications and travel and trade links, some of which have been severed since 1947. Although India has not been willing to trade with Pakistan since 1966, Pakistan continues to refuse to trade directly with India. Having lost its market in Bangladesh, Pakistan may be more reasonable. Commercial overflights have been resumed, but the national air lines of India and Pakistan still do not overfly the other country. Neither has there been agreement to reopen border crossing points or to resume reasonably unrestricted travel for Indian and Pakistani nationals.

Pakistan-Bangladesh Negotiations

23. From all accounts, Bhutto wants to establish a modus vivendi with Bangladesh but to postpone formal recognition. He repeatedly has voiced his desire to meet with Mujib. The two leaders have exchanged letters but have not met since Bhutto released Mujib on 8 January. Islamabad recently offered Dacca 122,000 tons of rice on humanitarian grounds, but Dacca is unlikely to accept before Pakistan recognizes Bangladesh.

24. Before Pakistan takes this step, Bhutto evidently wants to make sure he has done all he can to forestall formal separation of the two wings. Diplomatic countermeasures against countries that recognized Bangladesh and Pakistan's withdrawal from the Commonwealth were part of this strategy. But, as time passes, Bhutto and most Pakistanis, appear more reconciled to the "reality" of Bangladesh and to the eventual normalization of relations. It was, perhaps, an effort to encourage this facing of reality that Bhutto, looking to a more distant future, predicted recently that the two countries "will come

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together again in some form of shape." A partial restoration of commercial ties might be an early step toward acceptance of the status quo. And at some point Islamabad and Dacca will have to divide up assets and obligations of the two wings. This is an extremely complicated issue and will entail many months of difficult negotiations.

25. An early Bhutto-Mujib meeting would become less likely if Dacca were to go ahead with its announced intention to hold trials for Bengali and Pakistani "war criminals." Bangladesh authorities reportedly have arrested several thousand civilian "collaborators" who are to be tried under civil law in open court. On 23 February a Bangladesh spokesman claimed Dacca also plans to try in special courts 100 senior Pakistani military officers, including General Niazi who commanded Islamabad's forces in East Pakistan for part of the war. Although the Indians hold Niazi and most other accused Pakistanis, the spokesman claimed they would be made available for trial in Dacca. In the Indo-Bangladesh communiqué issued on 19 March, Mrs. Gandhi pledged that New Delhi will "fully cooperate" in bringing prisoners accused of war crimes to trial. India, however, is not committed to a specific timetable. New Delhi apparently is not enthusiastic about the trials, but acquiesced to at least a few symbolic trials that are backed by solid evidence and conform to recognized legal processes.

26. A dramatic series of war crimes trials could have adverse repercussions for the estimated 400,000 Bengalis residing in Pakistan. Bhutto has publicly offered to send to Bangladesh all Bengali military personnel (about 30,000) and civil officials (about 8,000) who desire to go. The fortunes of the Bengali members of the Pakistani armed forces are steadily declining, and most have been transferred into special units under relatively mild restrictions or otherwise segregated from other troops. Members of the air force have been grounded and naval personnel have been assigned ashore. The Bengalis realize they have no future in the military and most are probably anxious to go to Bangladesh as soon as possible.

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27. Conversely, Pakistani officials have demanded better treatment of the roughly one million Biharis (non-Bengali Muslims) in Bangladesh, a number of whom have been ill treated by the Bengalis in reprisal for Bihari cooperation with the Pakistani Government before Bangladesh independence. Although Mujib said he would welcome the exchange of Biharis for Bengalis, Islamabad would be highly unlikely to accept a mass influx of Biharis for a number of reasons, including the heavy cost of such an exchange and the inevitable difficulties of assimilating the Biharis in Pakistan.

28. Partly to offset recent publicity condemning the alleged maltreatment of the Biharis and to shift attention to Pakistan, Mujib requested UN assistance in protecting Bengalis in Pakistan. To date, however, there is no evidence of any significant mistreatment or systematic persecution of Bengali civilians in Pakistan. Some Bengali civil servants have been transferred to non-sensitive positions, but none has been interned or imprisoned, and Bengali private citizens have so far experienced little more than occasional harassment.

Outlook

29. The creation of independent Bangladesh presents a unique opportunity for India and Pakistan to overhaul their embittered relationship. Pakistan deeply resents India's crucial role in support of the Bengalis, but, nationalism aside, most Pakistanis probably have few regrets at the loss of the east wing. In many respects East Pakistan was becoming an economic liability--a growing claimant of foreign aid and a declining net earner of foreign exchange.

30. President Bhutto acknowledges the need for a modus vivendi with India, but the extent of concessions he can make is inhibited by an underlying fear in Pakistan that New Delhi ultimately intends to absorb the Pakistanis.

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31. The lasting settlement both countries claim they want would enable them to concentrate on domestic developments, but they appear to be far apart on the conditions leading up to such a state of affairs. India, with its vast military superiority, is unalterably opposed to the rearmament of Pakistan, and at the same time continues to replenish its own arsenal. The arms build-up on both sides makes the professed desires of each for peace hard to credit.

32. It appears that Bhutto would now like to focus on issues arising from the December war. In recent weeks he has strengthened his own position at home. He has quelled mounting dissatisfaction with his "one-man rule" and his delay in honoring the pledge to institute parliamentary government. Bhutto's domestic problems are far from solved, but the agreement to end martial law on 14 August, four months after the National Assembly convenes, robs opposition forces of their main rallying point.

33. A preliminary meeting between Bhutto and Mrs. Gandhi may come before full-scale peace talks. If the two leaders find their objectives appear compatible, negotiations could begin shortly. Whether such a summit would be fruitful would depend on Indian magnanimity, Pakistani restraint, and mutual trust. All three have been in scarce supply in the past. But there are new circumstances and new leaders and it is just possible they could work together to produce a breakthrough to a more cooperative era in South Asia.

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