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SUBJ: Nepal's Views on the Subcontinent

1. Ambassador Sharma called on Asst Secy Sisco August 18 to review situation in South Asia and to elaborate on King Mahendra's invitation to President to visit Nepal either enroute to or returning from Peking.

2. Sisco asked Sharma what his feeling was in regard to the Indo-Soviet Treaty. Sharma said that basic question is what was real aim of Indian Government in signing treaty at this time. Although Nepal has "great regard for Indian leaders," its feeling is that treaty was "entirely unnecessary at this time." Two possible reasons for signing of treaty were: 1) that India wants to attack Pakistan and be sure that China is neutralized;

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in this regard, we should expect an increase in aid to Mukti Bahini forces or 2) that India fears a Chinese attack and treaty is attempt to pre-empt any Chinese move. Official GOI version that treaty was signed as deterrent to Pakistan "doesn't appeal" to GON. If India had been attacked by Pakistan, it could have counted on aid from both US and USSR. Now it has eliminated chance of US aid.

3. In terms of treaty's effect on Nepal, Sharma said it increases polarization in subcontinent and that Nepal finds itself an area where interests clash. GOI is suspicious of GON neutrality and non-alignment and may take move to strengthen its border areas. If that's the case, Nepal's dealings with GOI on political level will be "considerably more difficult," although he reassured by news that Indo-Nepal Trade/Transit treaty was signed August 13. Sisco commented that situation in subcontinent fluid and that US objective is to do

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whatever we can to prevent outbreak of war. We counsel restraint on both sides and are at forefront of international relief effort. We realize that practical political accommodation in East Pakistan necessary because without it famine relief impossible. We will continue to exercise our influence "to the degree we have it" and continue to use our material resources to aid refugees. We have told Pakistanis that trial of Mujib "not helpful" and have exhorted Pak in general terms that political settlement essential. To Indians we have urged restraint and asked how stability can return to East Pakistan as long as GOI supports Mukti Bahini. We are deeply disappointed by GOI's categorical refusal to receive UN mission on its side of border.

4. Sharma asked what effect treaty would have on Pakistan and US. Sisco replied that he assumes that USSR is counseling restraint but that we are carefully watching how treaty effects GOI policy vis a vis the Mukti Bahini movement. Key indicators of effect of

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treaty will be whether India recognizes Bangla Desh Government and what its policy will be to guerrilla fighters. Sisco noted that if Sharma were correct in his assessment that treaty frees India from worry about Chinese intervention on Pakistani behalf, then generally agreed with Sharma's observation that we can probably expect GOI to continue its support for guerrillas. US wants Yahya to make political concessions but there are limits to what he can do. On other hand, Mrs. Gandhi, as result of treaty, is probably better able internally to defuse pressures to recognize Bangla Desh. Treaty Difficult to square with non-alignment. Sharma noted that Nepal has experience with GOI support of insurgency and briefly summarized Indian support of dissident Nepali Congress rebels from 1960-1962. Sharma noted that GOI ceased its support only when Chinese attacke India.

5. Sharma commented that Nepal QUOTE very happy UNQUOTE ab

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President's move on China. King Mahendra renewed invitation to President and Mrs. Nixon to visit Nepal -- either enroute to or returning from Peking. Nepal has "tremendous fund of good will" toward US. President would find climate in Kathmandu very different from that obtaining in Pakistan and India. Having no post-colonial complexes, Nepalis are free and would openly welcome President. Further, Sharma noted, that in view of increasing polarization in subcontinent, President would find Nepal "a small oasis in vast desert of sub-continent." Visit would strengthen spirit of peace. Nepal and US policies seem to coincide although from very different perspectives. President's statement on South Asia in message to Congress completely compatible with Nepalese non-alignment and policy of balancing great and regional powers.

6. Sharma asked if ten percent cut-back in AID announced by President in his message on economy would also apply

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to PL-480 rupee aid. Sisco replied that his understanding was that it would not pertain to rupee aid. Sharma stated Nepal considered both of President's recent moves (China, economy) to be in interests of world peace and stability and hoped they both successful. Sisco said steps bold and remarkable and necessary as a healthy US essential for a stable world order.

END

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