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PAGE 01 STATE 280112  
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	CTME-00	PM-10	EAP-00	PA-01	INRE-00	RP-10	ACDA-12
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STATE 280112

E.O. 12356: DECL: OADR  
 TAGS: NATO, PREL, XC, XD, PINR  
 SUBJECT: MEETING OF NATO EXPERTS ON EAST AND SOUTH ASIA,  
 SEPTEMBER 16-18, 1987 (PART I)

THIS CABLE COVERS GENERAL TRENDS, AFGHANISTAN, AND THE  
 INDIAN SUB-CONTINENT. SUBSEQUENT CABLES WILL COVER EAST  
 ASIA, PACIFIC, AND SOVIET TOPICS. THEMES PROPOSED BY  
 EXPERT GROUP CHAIRMAN ARE ADDRESSED IN INDIVIDUAL COUNTRY  
 SECTIONS.

ENTIRE TEXT.  
 I. GENERAL TRENDS AND OUTLOOK

PAGE 02 STATE 280112

1. THERE HAVE BEEN A NUMBER OF POSITIVE DEVELOPMENTS IN  
 SOUTH AND EAST ASIA OVER THE PAST MONTHS: THE AFGHAN  
 RESISTANCE HAS MADE SUBSTANTIAL GAINS; INDIA STEPPED  
 INTO THE SRI LANKAN TAMIL REBELLION WITH AT LEAST INITIAL  
 SUCCESS; THE PHILIPPINES HELD A CONGRESSIONAL ELECTION  
 AS THE AQUINO ADMINISTRATION CONTINUED TO MAKE PROGRESS  
 IN ESTABLISHING DEMOCRATIC INSTITUTIONS; AND DEMOCRATIC  
 JUSTICE PARTY LEADER ROH TAE WOO DRAMATICALLY INITIATED  
 THE PROCESS OF DEMOCRATIC REFORM IN SOUTH KOREA. THESE

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DEVELOPMENTS, HOWEVER, OCCURRED AGAINST A BACKGROUND OF CONSIDERABLE INSTABILITY. FRUSTRATED MILITARY ELEMENTS

IN THE PHILIPPINES CHALLENGED THE AQUINO ADMINISTRATION IN A BLOODY COUP ATTEMPT; KOREAN STUDENTS AND WORKERS REPEATEDLY STAGED PROTESTS; INDIA REMAINED BESET BY ETHNIC AND RELIGIOUS TENSIONS WITH GANDHI AND THE CONGRESS (I) PARTY UNDER INCREASING PRESSURE; PAKISTAN'S ALREADY SHAKY INTERNAL SITUATION HAS BEEN FURTHER DISRUPTED BY TERRORIST BOMBINGS IN MAJOR CITIES; AND CHINA'S POLITICAL ATMOSPHERE IS UNSETTLED AS REFORMERS FIGHT TO REGAIN GROUND LOST IN HU YAOBANG'S DEPARTURE. PROGRESS IN SRI LANKA REMAINS TENTATIVE AND ETHNIC TENSIONS COULD BUILD IN THE SOUTH PACIFIC. FINALLY, GORBACHEV FOLLOWED UP HIS 1986 VLADIVOSTOK ADDRESS IN A JULY INTERVIEW THAT ANNOUNCED A READINESS TO REMOVE SS-20 WARHEADS IN SOVIET ASIA AND THE SOVIETS CONTINUE THEIR OVERTURES THROUGHOUT THE REGION.

2. THE RESISTANCE IN AFGHANISTAN HAS CONTINUED TO MAKE GAINS AND MORALE IS AT AN ALL TIME HIGH. NEVERTHELESS, SOVIET FORCES MAINTAIN CONTROL OF KABUL AND MOST URBAN AREAS. THE EFFECTIVENESS OF THE KABUL REGIME HAS BEEN SHAKEN BY A GROWING SENSE THAT THE SOVIETS MAY BE

PAGE 03 STATE 280112

SERIOUSLY CONTEMPLATING WITHDRAWAL. THE NATIONAL RECONCILIATION CAMPAIGN INITIATED IN EARLY 1987 HAS EXACERBATED FACTIONAL DISPUTES AND FAILED TO GAIN SUPPORT, LEADING NAJIB TO ENRICH AND EXTEND HIS INITIAL CEASEFIRE AND "POWER SHARING" PROPOSALS. RESSURED BY THE RESISTANCE, THE EVOLVING PROCESS OF RECONCILIATION CONTINUES WITH NO SIGN THAT KABUL'S BOTTOM LINE HAS BEEN REACHED. MOMENTUM TOWARD A SETTLEMENT APPEARS TO HAVE PEAKED IN EARLY MARCH WHEN KABUL/MOSCOW PROPOSED AN 18-MONTH WITHDRAWAL TIMETABLE THAT WAS COUNTERED BY PAKISTAN'S INSISTENCE ON SEVEN MONTHS. MOSCOW IS PROBABLY WAITING TO ASSESS MILITARY OPERATIONS AND THE NATIONAL RECONCILIATION CAMPAIGN BEFORE RESPONDING.

3. THE AFGHANISTAN CONFLICT HAS CONTRIBUTED TO VIOLENCE IN PAKISTAN WHERE KABUL'S KHAD AGENTS ARE BELIEVED RESPONSIBLE FOR A SERIES OF BOMBINGS. ETHNIC AND SECTARIAN RIVALRIES STRAIN THE GOVERNMENT'S INADEQUATE CAPACITY TO MAINTAIN ORDER IN INDIA, GANDHI FACES INCREASING CRITICISM AS CHARGES OF INDECISIVENESS, CORRUPTION COVERUP, AND INADEQUATE POLICIES MOUNT.

4. THE MOST DARING AND SUCCESSFUL FOREIGN POLICY INITIATIVE IN THE REGION WAS THE AIR DROPPING OF SUPPLIES TO SRI LANKAN TAMILS AND THE SUBSEQUENT PEACE ACCORD.

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INDIA IS MAKING ONGOING EFFORTS TO RECONCILE THE TWO MAJOR ETHNIC GROUPS IN SRI LANKA; BUT TAMIL INSURGENTS

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HAVE BEEN SLOW TO SURRENDER WEAPONS AND FURTHER SINHALESE OPPOSITION CAN BE EXPECTED. CRITICAL STEPS REMAIN TO IMPLEMENT THE ACCORD.

5. JAPAN IS IN THE MIDST OF IDENTIFYING A SUCCESSOR TO PRIME MINISTER NAKASONE, WITH LIBERAL DEMOCRATIC PARTY SECRETARY-GENERAL TAKESHITA THE CURRENT FRONT RUNNER AS PARTY BROKERING CONTINUES. EVIDENCE OF ILLEGAL JAPANESE

PAGE 04 STATE 280112

TECHNOLOGY TRANSFERS TO THE SOVIET BLOC RAISED CONCERNS ABOUT JAPAN'S COMMITMENT TO COCOM CONTROLS, FURTHER STRAINING RELATIONS WITH THE US. TOUGH LEGISLATION IS EXPECTED TO SOON PASS THE DIET, HELPING TO KEEP TRADE TENSIONS FROM SPILLING OVER INTO THE SECURITY RELATIONSHIP. IN SOUTH KOREA, DIALOGUE BETWEEN THE RULING AND MAIN OPPOSITION PARTIES CONTINUED ON A REVISED CONSTITUTION WITH A REFERENDUM ANTICIPATED IN OCTOBER. NEVERTHELESS, THE DOMESTIC SCENE REMAINS VOLATILE.

6. CHINA'S POLITICAL ATMOSPHERE HAS BEEN UNSETTLED SINCE HU YAOBANG'S JANUARY FALL, A SITUATION LIKELY TO PERSIST THROUGH THE 13TH PARTY CONGRESS EXPECTED TO TAKE PLACE LATER THIS FALL. REFORMERS UNDER DENG XIAOPING AND ACTING PARTY CHIEF ZHAO ZIYANG HAVE REGAINED MUCH OF THE GROUND THEY LOST AS A RESULT OF GENERAL SECRETARY HU'S RESIGNATION, AND APPEAR STRONGER GOING INTO THE CONGRESS THAN AT ANY TIME THIS YEAR. NEVERTHELESS, THE OUTCOME OF THE CONGRESS IS STILL PROBLEMATIC. ITS AGENDA IS UNUSUALLY FULL, INCLUDING POLITICAL REFORM, ECONOMIC REFORM, AND PERSONNEL CHANGES. NUMEROUS COMPROMISES ON ALL THESE ISSUES ARE LIKELY.

7. ON THE GROUND IN CAMBODIA, THE LEVEL OF FIGHTING HAS REMAINED LOW. VIETNAMESE/PRK FORCES CONTINUE TO CONSTRUCT BORDER BARRIERS TO RESISTANCE INFILTRATION. THE DIPLOMATIC SCENE HAS BEEN INVIGORATED BY AN AGREEMENT REACHED BETWEEN MOCHTAR AND THACH IN JULY ON TWO-STAGE INFORMAL TALKS--AN UNDERSTANDING THAT ASEAN, THE PRC, AND THE CGDK "CLARIFIED" IN WAYS UNWELCOME TO HANOI. SIHANOUK HAS SIGNALLED A READINESS TO MEET WITH PRK AND VIETNAMESE OFFICIALS, BUT THUS FAR--DESPITE ASEAN AND CHINESE CONCERNS THAT HE MIGHT SEEK A "PRIVATE"

UNCLASSIFIED

PAGE 05

STATE 280112

ARRANGEMENT--HE HAS ADHERED LARGELY TO THE ASEAN/CGDK POSITION.

UNCLASSIFIED

8. THE AQUINO ADMINISTRATION HAS RESTORED A DEMOCRATIC STRUCTURE, BUT NOW FACES THE HARDER JOB OF MAKING IT WORK, PARTICULARLY IN A NEW ERA OF LEGISLATIVE POLITICS THAT WILL INEVITABLY COMPLICATE THE DECISION-MAKING

PROCESS. THE NEXT MAJOR INSTITUTIONAL TASK IS THE ESTABLISHMENT OF EFFECTIVE PROVINCIAL AND LOCAL GOVERNMENTS THAT ARE KEY TO COUNTERINSURGENCY EFFORTS AND REBUILDING COHESION. ALTHOUGH THE MOMENTUM OF THE CPP/NPA HAS BEEN SLOWED SINCE AQUINO'S ELECTION, ITS RELIANCE ON TERRORIST TACTICS IS UNDERMINING CONFIDENCE IN THE GOVERNMENT. ENDEMIC PROBLEMS OF POVERTY, PATRONAGE-STYLE POLITICS, AND CHALLENGES SUCH AS FRAGMENTATION AND LACK OF PROFESSIONALISM IN THE MILITARY REMAIN LARGELY UNADDRESSED. THE ECONOMIC UPTURN IS A BRIGHT SPOT, BUT EVEN WITH SUSTAINED FIVE PERCENT ANNUAL GNP GROWTH, PER CAPITA INCOMES WOULD NOT RETURN TO THEIR 1981 LEVEL UNTIL 1994.

II. AFGHANISTAN

1. SOVIET FORCES CONTINUE TO OCCUPY AFGHANISTAN AND RETAIN OVERALL MILITARY CONTROL. NONETHELESS, MOSCOW CAN TAKE LITTLE COMFORT FROM THE SITUATION INSIDE AFGHANISTAN. ITS PROXIES IN KABUL ARE IN WORSE SHAPE THAN EVER, WHILE RESISTANCE STRENGTH AND MORALE IS AT AN ALL TIME HIGH.

2. THE MILITARY SITUATION. THE AFGHAN INSURGENCY HAS SHOWN A SIGNIFICANT DEGREE OF PROGRESS OVER THE LAST THREE YEARS. THE GROWING RESISTANCE CHALLENGE TO SOVIET/COMMUNIST CONTROL IS PARTLY DUE TO RAPID IMPROVEMENTS IN QUANTITY AND QUALITY OF SUPPLY.

PAGE 06

STATE 280112

3. ADVANCED SURFACE-TO-AIR MISSILES HAVE SIGNIFICANTLY INCREASED SOVIET/DRA AIRCRAFT AND PILOT LOSSES, AND MORE IMPORTANTLY, CAUSED ATTACKING PILOTS TO ALTER THEIR TACTICS AND EXERCISE MORE CAUTION (IN PART BY FLYING HIGHER AND FIRING WEAPONS FROM MAXIMUM RANGE)--CUTTING THE IMPACT OF AIR POWER. EFFORTS TO DEVISE COUNTERMEASURES HAVE YET TO REDUCE THE ANTI AIR THREAT.

4. IMPROVED RESISTANCE STRENGTH IS ALSO ATTRIBUTABLE TO INCREASED TRAINING AND COMBAT EXPERIENCE (BETTER TACTICS), EXPANDED COOPERATION, INTER-GROUP FIGHTING HAS

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STEADILY DECLINED, AND THE RAPID DEVELOPMENT OF AN EXTENSIVE LOGISTICS NETWORK INSIDE THE COUNTRY. THESE DEVELOPMENTS AND THE INABILITY OF SOVIET/REGIME FORCES TO RESPOND EFFECTIVELY, HAVE BOOSTED RESISTANCE MORALE, DESPITE OCCASIONAL FLUCTUATIONS.

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5. SOVIET FORCES HAVE MAINTAINED THEIR PRIMARY STRATEGIC

GOAL: CONTROL OF KABUL, OF PRIMARY LINES OF COMMUNICATION, AND OF MOST URBAN AREAS. DESPITE THEIR INCREASED EFFORTS, HOWEVER, SECONDARY CITIES HERAT AND KANDAHAR REMAIN HEAVILY CONTESTED. THE AREA AROUND THE CAPITAL, KABUL, HAS BEEN THE SCENE OF PARTICULARLY HEAVY FIGHTING IN THE SUMMER MONTHS. RURAL AREAS REMAIN OUT OF SOVIET AND REGIME GRASP, BUT NOT THEIR REACH.

6. ACR

LOSS THE SOVIET BORDER. OVER THE PAST YEAR, RESISTANCE ACTIVITIES HAVE MARKEDLY INCREASED NORTH OF THE HINDU KUSH--HERETOFORE CONSIDERED RELATIVELY SECURE FOR THE SOVIETS--AND EVEN SPILLED OVER THE SOVIET BORDER. IN JULY JAMIAT I ISLAMI FORCES OVERRAN THE

PAGE 07

STATE 280112

REGIME GARRISON AT KALAFGAN, SOME 50 MILES FROM THE USSR. REPORTS OF RESISTANCE ACTIVITY IN THE NORTHWEST PROVINCES OF FARYAB AND BADGHIS HAVE BECOME INCREASINGLY FREQUENT.

7. SOVIET MEDIA ACKNOWLEDGED TWO SPRING 1987 ATTACKS INSIDE THE USSR, THE FIRST TIME THE SOVIETS HAVE ACKNOWLEDGED RESISTANCE ABILITY TO MOUNT SUCH ATTACKS. THE LEADING THEME WAS "DEFENSE OF THE HOMELAND"--HIGHLIGHTED BY A PUBLICIZED ADDRESS BY KGB CHIEF CHEBRIKOV TO KGB BORDER GUARDS. SOVIET TROOPS BASED IN THE USSR ENGAGED IN HARSH RETALIATORY ATTACKS INSIDE AFGHANISTAN WHICH TRIGGERED REFUGEE OUTFLOW. PARTLY AS A RESULT, THERE HAVE BEEN NO REPORTS OF MUJAHIDIN RAIDS ON SOVIET TERRITORY SINCE THE SPRING.

8. DRA MILITARY REMAINS INADEQUATE. THERE IS LITTLE PROSPECT OF IMPROVEMENT IN THE DRA MILITARY, IN CONTRAST TO 1986, WHEN DRA PARTICIPATION IN THE ZHAWAR ASSAULT SEEMED TO INDICATE SOME IMPROVEMENT. INTENSIFIED CONSCRIPTION, WHICH VIOLATED ONE OF THE REGIME'S FIRST NATIONAL RECONCILIATION PROMISES, HAS MEANT INCREASED DESERTIONS--AT TIMES EN MASSE. IN SOME ENGAGEMENTS, PARTICULARLY IN THE SUMMER-LONG FIGHTING AROUND KANDAHAR, DESERTIONS HAVE NUMBERED IN THE HUNDREDS. IRREGULAR FORCES, OR "MILITIA," HAVE INCREASED IN NUMBER, BUT PROBABLY NOT AS MUCH AS THE FUNDS SPENT TO BRIBE THEM.

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WITH SOME EXCEPTIONS, THEY REMAIN OF DOUBTFUL LOYALTY.

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9. SUPPLIES GETTING THROUGH. ALTHOUGH THEY CONTINUE TO INTERCEPT SUPPLY CARAVANS, THE SOVIETS HAVE HAD ONLY LIMITED SUCCESS IN STEMMING THE FLOW OF SUPPLIES TO THE MUJAHIDIN. THE QUANTITY OF SUPPLIES DELIVERED TO THE FIGHTING FRONTS HAS INCREASED SUBSTANTIALLY. MUJAHIDIN COMPLAINTS ABOUT INADEQUACY OF SUPPLY AND TRANSPORT AND

PAGE 08 STATE 280112

THE EFFECTS OF SOVIET INTERDICTION ARE REDUCED FROM LAST YEAR, AS IS THE RATE OF INFLATION IN THE COST OF TRANSPORT. NEVERTHELESS THE MUJAHIDIN CONTINUE TO SUFFER FROM SHORTAGES OF MATERIEL, PARTICULARLY IN THE FACE OF SUSTAINED COMBAT.

10. SUMMER FIGHTING. THE JULY COMBAT IN PAKTIA WAS PROBABLY TRIGGERED BY A SOVIET EFFORT TO IMPEDE SUPPLY MOVEMENT. DESPITE ONE OF THE LARGEST ACCUMULATIONS OF ARTILLERY OF THE WAR, AND FIERCE (SOME HAND-TO-HAND) FIGHTING, THE MUJAHIDIN STOOD THEIR GROUND. THEY REPORTEDLY FEEL THEY GOT THE BEST OF THIS BATTLE AND RESISTANCE MORALE WAS SUBSEQUENTLY AT A HIGH LEVEL. MANY PARTY LEADERS WENT TO THE FIELD TO URGE ON THEIR TROOPS: INTER-GROUP COORDINATION WAS REPORTEDLY EXCELLENT. HEAVY SUMMER COMBAT HAS ALSO BEEN REPORTED AROUND THE KABUL AREA, ALONG THE KABUL-JALALABAD HIGHWAY, AND AROUND KANDAHAR.

11. NAJIB'S NATIONAL RECONCILIATION CAMPAIGN. KABUL'S NATIONAL RECONCILIATION CAMPAIGN, WHICH BEGAN AT THE START OF 1987 WITH NAJIB'S ANNOUNCEMENT OF A "CEASE FIRE" AND AN INTENTION TO "SHARE" POWER CONTINUED THROUGH LATE SUMMER. BUT KABUL HAS GAINED LITTLE FROM IT. NO POLITICAL FIGURE OF STATURE HAS JOINED THE REGIME. MUJAHIDIN COMMANDERS HAVE ALMOST UNIVERSALLY SPURNED KABUL'S RECONCILIATION BLANDISHMENTS, AND ARE BEGINNING TO FOCUS ON PROSPECTIVE POST-WITHDRAWAL ARRANGEMENTS.

12. AN ESSENTIAL ELEMENT OF THE DRA CAMPAIGN HAS BEEN BRIBERY. WE HAVE NO AGGREGATE FIGURES ON EXPENDITURE, BUT KABUL MEDIA REPORTED THAT 13 MILLION AFGHANIS (ABOUT 250,000 USD AT OFFICIAL RATE) OF SOVIET PROVIDED

PAGE 09 STATE 280112

UNCLASSIFIED

CONSUMER GOODS HAD BEEN DISTRIBUTED IN PAKITIA PROVINCE

ALONE BY MARCH. CASH WAS ALSO DISTRIBUTED. NAJIB PUBLICLY CRITICIZED LOCAL OFFICIALS FROM SEVERAL PROVINCES FOR MISUSING SUBSTANTIAL SUMS OF SOVIET AID.

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13. ALTHOUGH KABUL'S GREATLY EXAGGERATED CLAIMS OF NUMBERS OF RETURNEES CONTINUE TO MOUNT, (70,000 AS OF LATE AUGUST), THE DIRECTION OF NET REFUGEE FLOW IS STILL OUT OF AFGHANISTAN. REFUGEE OFFICIALS REGISTERED MORE THAN 70,000 NEW REFUGEES IN 1986. BOTH PAKISTANI AND INTERNATIONAL REFUGEE OFFICIALS HAVE MAINTAINED THEY SEE NO EVIDENCE OF A MEASURABLE RETURN FROM THE CAMPS IN PAKISTAN. WE BELIEVE SIMILAR REGIME CLAIMS OF MUJAHIDIN DEFECTIONS AND OF REFUGEE RETURN FROM IRAN, ARE ALSO EXAGGERATED, BUT COMPLETE INFORMATION IS HARDER TO OBTAIN FROM IRAN.

14. POLITICAL: "SHAH" AND MATE FOR NAJIBULLAH. INTERNAL STATE OF THE KABUL REGIME: THE DRA IS SHAKIER THAN EVER. THE MORALE, COHESION, AND EFFECTIVENESS OF THE KABUL REGIME HAVE BEEN SUBSTANTIALLY BATTERED BY A GROWING SENSE THAT THE SOVIETS MAY BE SERIOUSLY CONTEMPLATING WITHDRAWAL. THE NATIONAL RECONCILIATION CAMPAIGN, COMBINED WITH THE MODIFICATION OF SOVIET/DRA POSITIONS (PARTICULARLY ON THE TIMING OF A SOVIET WITHDRAWAL) AT GENEVA, AND A VARIETY OF DIRECT INDICATIONS FROM MOSCOW HAVE FED CONCERN AMONG KABUL REGIME SUPPORTERS. MANY HAVE TAKEN STEPS TO ENSURE THEY WILL NOT BE AMONG THOSE LEFT BEHIND TO FACE POPULAR WRATH.

15. THE NATIONAL RECONCILIATION PROGRAM HAS EXACERBATED ENDEMIC FACTIONAL DISPUTES. IDEOLOGICALLY COMMITTED MARXISTS, PARTICULARLY AMONG THE KHALQ FACTION, OPPOSE THE OFFER TO SHARE POWER WITH THE OPPOSITION AND THE TACTICAL BACKSLIDING ON "PROGRESSIVE" POLICIES THAT HAS

[REDACTED]

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PAGE 10 STATE 280112

BEEN A HALLMARK OF THE CAMPAIGN.

16. RECONCILIATION OFFER ENRICHED. THE FAILURE OF THE RECONCILIATION POLICY TO GAIN SUPPORT FOR THE REGIME HAS LED KABUL TO CONSISTENTLY BROADEN ITS OFFER. THE ACCESSION TO POWER OF NAJIB IN MID-1986 COINCIDED WITH THE ADOPTION OF THE "PROCESS OF NATIONAL RECONCILIATION," ANNOUNCED BY GORBACHEV IN JULY 1986, INCLUDING FOR THE FIRST TIME A WILLINGNESS TO BRING EXILE AND OPPOSITION GROUPS INTO THE REGIME. NAJIB'S CEASE-FIRE/NATIONAL RECONCILIATION PROPOSALS OF EARLY 1987 TURNED THE APPEAL INTO AN OFFER OF A "NATIONAL UNITY GOVERNMENT," WITH THE PROMISE, ALTHOUGH NOT THE REALITY OF SHARED POWER.

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17. SINCE THE FAILURE OF THE JANUARY CEASE-FIRE CALL, GRAPHICALLY DEMONSTRATED IN STEPPED-UP RESISTANCE ACTIVITIES OVER THE WINTER, KABUL'S OFFER HAS EXPANDED AT AN ACCELERATING PACE. SOON AFTER, NAJIB OFFERED TO MEET OPPOSITION REPRESENTATIVES IN A NEUTRAL SETTING--A RECOGNITION OF STATUS AS EQUALS. BY MID WINTER 1987, NAJIB HAD OFFERED TO ACCEPT AN UNDEFINED ROLE FOR EX-KING ZAHIR SHAH.

UNCLASSIFIED

18. ON JULY 14, NAJIB EXTENDED THE (SO-CALLED) CEASE-FIRE FOR AN ADDITIONAL SIX MONTHS BEYOND ITS JULY 15 EXPIRATION DATE. HE ALSO OFFERED SPECIFIC POSTS TO THE OPPOSITION, INCLUDING MORE THAN A DOZEN CABINET SEATS AND THE POSTS OF VICE PRESIDENT AND OF DEPUTY PRIME

MINISTER. HE ALSO SUGGESTED THAT UNDER RECONCILIATION THE POST OF PRIME MINISTER WOULD BE NEGOTIABLE.

19. OFFER STILL INADEQUATE. NAJIB INVITED ROYALISTS AND

PAGE 11 STATE 280112

MEMBERS OF THE "MODERATE" PARTIES TO TAKE UP HIGH-LEVEL POSTS. KABUL HAS TARGETED THESE GROUPS FOR ITS APPEALS, IN APPARENT HOPE OF SPLITTING THE RESISTANCE. NAJIB PROMISED "GENUINE DIVISION OF POWER", WHILE ASSERTING THAT IT "DOES NOT MEAN THE PDPA WOULD LOSE ITS AUTHORITY." INDEED, THE OFFER DID NOT INCLUDE ANY OF THE MINISTRIES RESPONSIBLE FOR SECURITY, FOREIGN AFFAIRS OR THE MINISTRY OF FINANCE.

20. THE DRAFT DRA CONSTITUTION THAT KABUL ISSUED JULY 15 ALLOWS FOR CHANGING THE NAME OF THE COUNTRY TO "REPUBLIC OF AFGHANISTAN." WHILE COSMETIC, A NAME CHANGE (DROPPING "DEMOCRATIC") POTENTIALLY WEAKENS THE IDENTIFICATION OF THE REGIME WITH THE APRIL REVOLUTION.

21. THE DRAFT CONSTITUTION WOULD PRODUCE A GOVERNMENT FULLY DOMINATED BY ITS PRESIDENT. IT WOULD ALLOW A MULTI-PARTY SYSTEM. PARTIES (WHICH WOULD BE ORGANIZED UNDER REGIME AUSPICES) WOULD BE REQUIRED TO SUPPORT THE STATE AND RECONCILIATION, BUT WOULD BE ALLOWED SOME INDEPENDENCE.

22. NAJIB ASSERTS THAT THE DRA ALREADY IS A COALITION REGIME SINCE FIVE MINISTERS WERE MEMBERS OF PREVIOUS REGIMES AND CLAIMS THAT OPPOSITION ELEMENTS ARE ALREADY WELL REPRESENTED AT THE LOCAL LEVEL ALTHOUGH DURING A JULY VISIT TO MOSCOW NAJIB SUGGESTED HE COULD SACRIFICE HIS POST AS WELL AS HIS LIFE FOR HIS COUNTRY, NO PART OF THE UNFOLDING RECONCILIATION OFFER SUGGESTS THAT HIS OWN OR PDPA DOMINANCE IS TRULY NEGOTIABLE.

UNCLASSIFIED



23. THE RESISTANCE (PARTICULARLY THE MODERATE LEADERS REFERRED TO BY NAJIB) SWIFTLY REJECTED THE JULY 14 COALITION OFFER, AS IT HAS ALL OF KABUL'S PUBLIC RELATIONS PLOYS. WHILE THEY HAVE NOT ATTAINED CONSENSUS ON A COUNTEROFFER, THE ALLIANCE PARTIES IN PESHAWAR HAVE

UNCLASSIFIED

PAGE 12 STATE 280112

ON VARIOUS OCCASIONS STATED THAT SHOULD THE SOVIETS LEAVE, THEY WOULD NOT INDISCRIMINATELY RETALIATE AGAINST KABUL REGIME PERSONNEL, WOULD PURSUE NON-ALIGNMENT, AND WOULD MAINTAIN CORRECT RELATIONS WITH ALL OF AFGHANISTAN'S NEIGHBORS.

24. ALTHOUGH THE PDPA GENERAL SECRETARY HAS ACKNOWLEDGED CRITICISM FROM ELEMENTS WITHIN THE PARTY OF THE

RECONCILIATION PROCESS, NAJIB HAS STRESSED THAT NATIONAL RECONCILIATION IS "IRREVERSIBLE." FORCED FORWARD BY CONTINUING MILITARY PRESSURE, THE UNFOLDING PROCESS OF RECONCILIATION CONTINUES AND THERE IS NO SIGN THAT KABUL'S (I.E. MOSCOW'S) BOTTOM LINE HAS YET BEEN REACHED.

25. THE QUESTION OF THE KING. FORMER AFGHAN MONARCH ZAHIR SHAH HAS BEEN INCREASINGLY MENTIONED OVER THE YEAR AS A POSSIBLE COMPROMISE, OR INTERIM FIGURE, WHOSE PARTICIPATION COULD PERMIT A POLITICAL SETTLEMENT ENCOMPASSING A WITHDRAWAL OF SOVIET TROOPS. ZAHIR SHAH HAS LIVED IN ROME SINCE HE WAS DEPOSED BY HIS COUSIN DAUD IN 1973. DAUD, WHO DECLARED A REPUBLIC, HIMSELF WAS KILLED IN THE COMMUNIST COUP OF 1978.

26. THE KABUL GOVERNMENT HAS STATED ITS WILLINGNESS TO WORK WITH THE KING AND THE SOVIETS HAVE GONE INCREASINGLY PUBLIC IN THEIR WILLINGNESS TO ACCEPT HIS RETURN IN SOME SUBORDINATE ROLE. IN A JUNE INTERVIEW IN UNITA, GORBACHEV POINTED TO THE POTENTIAL POLITICAL ROLE OF AN AFGHAN RESIDENT IN ITALY. OTHER SOVIET REFERENCES HAVE UNDERLINED THEIR INTEREST IN ZAHIR SHAH.

27. THE FORMER MONARCH HAS INSISTED HE WILL NOT RETURN

PAGE 13 STATE 280112

TO AFGHANISTAN AS KING, BUT HAS EXPRESSED AN INTEREST IN PLAYING A ROLE IN THE SERVICE OF HIS COUNTRY THAT WOULD BE AGREED TO BY ALL THE MAJOR PARTIES INVOLVED. HE HAS

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NOT SUCCUMBED TO THE BRIBES OFFERED BY NAJIB TO PARTICIPATE IN THE CURRENT REGIME, AND WILL ALMOST CERTAINLY REFUSE ANY ROLE THAT WILL MAINTAIN PDPA CONTROL.

UNCLASSIFIED

28. WHILE HE HAS CONSIDERABLE SUPPORT INSIDE AFGHANISTAN AND AMONG THE REFUGEES, THE KING REMAINS UNACCEPTABLE TO IMPORTANT ELEMENTS OF THE RESISTANCE, MANY OF WHICH OPPOSED HIS RULE. THEY BLAME HIM FOR CREATING THE CONDITIONS THAT ENABLED THE SOVIETS AND THEIR PROXIES TO EVENTUALLY TAKE CONTROL OF AFGHANISTAN.

29. ZAHIR SHAH HAS REFUSED TO MAKE ANY MOVE WITHOUT AN ADEQUATE AFGHAN CONSENSUS, AND EFFORTS ON HIS BEHALF HAVE EXACERBATED DIVISIONS AMONG THE RESISTANCE. NEVERTHELESS, SO FAR NO PARTY HAS BEEN ABLE TO NAME ANOTHER INDIVIDUAL WHO CAN PLAY A BROADLY ACCEPTABLE COMPROMISE ROLE. THE QUESTION OF "SHAH AND MATE" REMAINS UNSETTLED.

30. DIPLOMATIC MOVES. THE DRA RECENTLY LAUNCHED A WORLDWIDE DIPLOMATIC OFFENSIVE, INVOLVING AT LEAST 66 COUNTRIES, AND HEAVILY BACKED BY THE SOVIETS. DRA EMISSARIES HAVE MADE SOME LIMITED DIPLOMATIC GAINS IN SEVERAL COUNTRIES, ESPECIALLY INDIA, IRAQ, AUSTRIA, GHANA AND TOGO.

31. THE MAJOR OBJECTIVE OF KABUL'S DIPLOMATIC OFFENSIVE IS TO REDUCE THE OVERWHELMING VOTE CONDEMNING THE SOVIET OCCUPATION AT THE UN GENERAL ASSEMBLY. KABUL MAY PICK UP A FEW UN VOTES AND WILL PROBABLY ALSO MAKE SOME SMALL GAINS IN DIPLOMATIC RECOGNITION. BUT KABUL WILL NOT, HOWEVER, BE ABLE TO REGAIN AFGHANISTAN'S ISLAMIC

PAGE 14 STATE 280112

CONFERENCE (OIC) SEAT, OR TO ENTER THE SOUTH ASIAN ASSOCIATION FOR REGIONAL COOPERATION (SAARC). THE DRA HAS FAILED TO GET A HEARING IN MANY CAPITALS.

32. UNLESS THERE IS A MAJOR TURNAROUND ON THE UNGA VOTE, WHICH NOW SEEMS UNLIKELY, THE NET EFFECT ON THE AFGHANISTAN-TARNISHED SOVIET WORLD IMAGE SEEMS ALMOST CERTAIN TO BE LIMITED. MORE IMPORTANT, LIMITED ADDITIONAL DIPLOMATIC ENDORSEMENTS (LIKE NON-RESIDENT AMBASSADORS) WILL NOT ADD MUCH TO THE KABUL REGIME'S COHESION OR DOMESTIC POLITICAL OR MILITARY STRENGTH.

III. SITUATION IN THE INDIAN SUB-CONTINENT

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TO DEPLOY TROOPS IN THE TAMIL AREAS OF SRI LANKA IF REQUESTED. INDIA'S INCREASED INFLUENCE OVER SRI LANKA IS EVIDENCED IN A SIDE LETTER TO THE ACCORD IN WHICH THE SRI LANKAN GOVERNMENT PLEDGES TO "MEET SOME OF INDIA'S

**UNCLASSIFIED**

PAGE 16 STATE 280112

CONCERNS" REGARDING LIMITING FOREIGN MILITARY AND INTELLIGENCE PRESENCES IN SRI LANKA.

3. INSURGENT HESITANCY. ALTHOUGH MOST TAMIL MILITANT GROUPS AND THE MODERATE TAMIL POLITICAL PARTY (TULF) APPROVED THE JULY 29 ACCORD, THE LIBERATION TIGERS OF TAMIL EELAM (LTTE) -- BY FAR THE MOST POWERFUL TAMIL GROUP - INITIALLY BALKED. INDIA EVENTUALLY SUCCEEDED IN PRESSURING THE LTTE TO ACCEPT THE ACCORD. DESPITE AGREEMENT, HOWEVER, ALL OF THE TAMIL INSURGENT GROUPS HAVE BEEN SLOW IN SURRENDERING THEIR WEAPONS, AND IN THE FIRST WEEKS MADE ONLY LIMITED MOVES IN THIS DIRECTION.

4. SINHALESE OPPOSITION. IN COLOMBO AND SOUTHERN SRI LANKA, MANY SINHALESE PROTESTORS, INCLUDING MEMBERS OF THE OPPOSITION SRI LANKA FREEDOM PARTY (SLFP), THE BUDDHIST CLERGY, AND THE BANNED MARXIST JVP PARTY, RIOTED

FOR A FEW DAYS AGAINST THE ACCORD. THEY FEAR IT WILL LEAD TO THE COUNTRY'S PARTITION AND THAT IT COULD GIVE INDIA A MAJOR VOICE IN SRI LANKAN DOMESTIC AFFAIRS. ALTHOUGH RIOTING HAS ABATED, FEARS WILL PERSIST AND THE SITUATION REMAINS TENSE. FURTHER SINHALESE OPPOSITION -- BOTH VIOLENT AND NON-VIOLENT -- CAN BE EXPECTED. FOR NOW THE RULING UNITED NATIONAL PARTY (UNP) REMAINS BEHIND JAYEWARDENE, BUT SOME UNP OFFICIALS, INCLUDING PRIME MINISTER PREMADASA, HAVE EXPRESSED RESERVATIONS ABOUT THE ACCORD.

5. PROBLEMS AHEAD. EAGER FOR A FOREIGN POLICY SUCCESS IN SRI LANKA, GANDHI HAS ASSUMED GREAT RESPONSIBILITIES AND THUS GREAT POLITICAL RISK. MUCH COULD GO WRONG.

PAGE 17 STATE 280112

-- FOR INDIA (WITH WELL OVER 6,000 TROOPS ALREADY DEPLOYED IN THE TWO TAMIL PROVINCES OF SRI LANKA) TO IMPLEMENT THE ACCORD SUCCESSFULLY AND ESTABLISH ITS CREDIBILITY AS THE GUARANTOR, IT MUST GET THE TAMIL INSURGENTS TO SURRENDER THEIR WEAPONS, WHILE PREVENTING INTERNECINE TAMIL FEUDS AND RENEWED TAMIL-SINHALESE

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CLASHES.

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-- JAYEWARDENE HAS PUT HIMSELF ON THE LINE POLITICALLY AND PERSONALLY. HE WILL NEED TO PRESSURE PARLIAMENT TO RATIFY THE TREATY. HAVING AGREED TO THE ACCORD, JAYEWARDENE HAS INCREASED HIS VULNERABILITY TO DESTABILIZATION EFFORTS AND ASSASSINATION ATTEMPTS.

-- NEGOTIATIONS TO DETERMINE THE COMPOSITION OF THE INTERIM PROVINCIAL COUNCIL AND THE SPECIFIC DEVOLUTION OF POWERS PROMISE TO BE ADDITIONAL CRITICAL AND ARDUOUS.  
-- STEPS IN THE ACCORD'S IMPLEMENTATION.

IN THE FINAL ANALYSIS, THE VERY FACT THAT GANDHI HAS INVESTED SUCH PRESTIGE AND JAYEWARDENE IS RISKING HIS LIFE MAKE THE TWO LIKELY TO PERSEVERE, WITH SOME CHANCE OF SUCCESS.

PAKISTAN

INTERNAL SITUATION

1. PAKISTAN'S POLITICAL FUTURE REMAIN UN

ALTHOUGH THE INTENSE DRAMA OF BENAZIR BHUTTO'S CHALLENGE TO PRESIDENT ZIA HAS SUBSIDED FOR NOW. FREQUENT VIOLENCE, EMANATING FROM INTERNAL ETHNIC AND SECTARIAN RIVALRIES OR FROM EXTERNAL SUBVERSION, CONTINUES TO OVERTAX THE CIVILIAN GOVERNMENT'S CLEARLY INADEQUATE CAPABILITY TO MAINTAIN ORDER. OPPOSITION PARTIES WILL

PAGE 18 STATE 280112

PUSH THE SECURITY ISSUE IN THE COMING FALL'S LOCAL BODIES ELECTIONS WHICH, IF THEY ARE NOT POSTPONED, COULD REVIVE THE NOW SEMIDORMANT STRUGGLE BETWEEN BHUTTO AND ZIA.

2. BOMBINGS BECOME A MAJOR POLITICAL ISSUE. FOR PAKISTANIS THE MOST UNSETTLING DEVELOPMENT IN THE LAST SIX MONTHS HAS BEEN THE SPREAD OF TERRORIST BOMBINGS FROM THE WESTERN BORDER AREAS TO PAKISTAN'S MAJOR CITIES -- RAWALPINDI, LAHORE, AND KARACHI. THOUGH GENERALLY ATTRIBUTED TO KABUL'S KHAD AGENTS, THE BOMBINGS HAVE PROVIDED LEFTWING POLITICIANS, MOST NOTABLY AWAMI NATIONAL PARTY (ANP) CHIEF WALI KHAN, WITH AN OPPORTUNITY TO ORGANIZE DEMONSTRATIONS AGAINST THE GOVERNMENT'S POLICY OF SUPPORTING THE AFGHAN RESISTANCE. THEY HAVE SIMULTANEOUSLY ENABLED MORE CENTRIST OPPOSITION LEADERS, SUCH AS BENAZIR BHUTTO, TO CHARGE THE GOVERNMENT WITH FAILURE TO PROTECT ITS CITIZENS. THE DEATH TOLL FROM THE BOMBINGS HAS ESCALATED AT AN ALARMING PACE -- THE MOST SHOCKING WAS THE JULY 14 KARACHI INCIDENT WHICH CLAIMED

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POLITICIANS OF VARIOUS IDEOLOGICAL STRIPES, IN EARLY JUNE  
THE GOVERNMENT'S BUDGET TURNED OUT TO BE A POLITICAL

**UNCLASSIFIED**

PAGE 20 STATE 280112

GAFFE WHICH BROUGHT NORMALLY APOLITICAL MERCHANTS AND BUSINESSMEN POURING INTO THE STREETS IN PROTEST, PARTICULARLY IN LAHORE. THE OBJECT OF THEIR SPONTANEOUS IRE WAS AN INCREASE IN TAXES AND FEES -- IN PARTICULAR A HEFTY "DEFENSE TAX" AND A RISE IN THE PRICE OF ELECTRICITY AND OTHER SOURCES OF ENERGY. THE GOVERNMENT BEAT A HASTY RETREAT AND SUBSEQUENTLY ANNOUNCED ALTERNATIVE PLANS FOR RAISING REVENUES, INCLUDING BY ELIMINATING CORRUPTION. THE EPISODE, WHICH MUST HAVE SHAKEN PRIME MINISTER JUNEJO AND HIS PARTY, THE GOVERNING PAKISTAN MUSLIM LEAGUE (PML), DEMONSTRATED HOW VOLATILE THE PAKISTANI PUBLIC CAN BE, PARTICULARLY WITH REGARD TO POCKETBOOK ISSUES.

7. POLITICAL ACTIVITY. POLITICAL STRATEGISTS ARE NOW FOCUSING ON LOCAL BODIES ELECTIONS SCHEDULED FOR THIS COMING FALL. WHILE THESE PROBABLY WILL BE NON-PARTY POLLS, CENTERED ON LOCAL ISSUES AND RIVALRIES, THEY WILL NEVERTHELESS BE SEEN AS A CONTEST BETWEEN JUNEJO'S PML AND BENAZIR BHUTTO'S PAKISTAN PEOPLE'S PARTY (PPP).

8. BHUTTO HAS BEEN PREPARING BY CONCENTRATING ON PARTY ORGANIZATION. RECENT ELECTIONS FOR PARTY OFFICE HOLDERS AT THE LOCAL LEVEL IN THE KEY CENTRAL PROVINCE OF PUNJAB WERE AN UNPRECEDENTED EVENT IN PPP HISTORY AND ARE EXPECTED TO STRENGTHEN PARTY DISCIPLINE AND EFFECTIVENESS. BENAZIR'S RECENTLY ANNOUNCED ENGAGEMENT ALSO WILL PROBABLY HELP HER POLITICALLY; MARRIAGE IS SEEN IN PAKISTAN AS THE NORM, AND WILL GIVE HER AN AURA OF GREATER MATURITY.

9. MEANWHILE, PML MEMBERS OF THE NATIONAL AND PROVINCIAL

PAGE 21 STATE 280112

LEGISLATURES HAVE BEEN USING GOVERNMENT FUNDS AVAILABLE TO THEM FOR DEVELOPMENT PROJECTS IN THEIR DISTRICTS IN AN EFFORT TO WIN OVER THEIR CONSTITUENTS IN ANTICIPATION OF THE LOCAL ELECTIONS. A RECENT PAKISTAN GALLUP POLL SUGGESTS THAT THE STRATEGY MAY BE WORKING (THOUGH RELYING ON PAKISTANI POLLS IS RISKY). RUMORS THAT THE ELECTIONS MAY BE POSTPONED SUGGEST THAT JUNEJO HIMSELF IS WORRIED ABOUT THE OUTCOME. CERTAINLY THE PUBLIC'S SENSE OF

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INSECURITY, BECAUSE OF BOMBINGS AND TERRORIST ACTIVITIES, AND HIS BLUNDER OVER THE BUDGET HAVE NOT HELPED THE PML'S IMAGE.

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10. IF THE POLLS ARE HELD AND ELECTED INDIVIDUALS ASSOCIATED WITH THE PPP OUTNUMBER THOSE WITH THE PML, BHUTTO'S CALL FOR EARLY -- I.E. PRE 1990 -- GENERAL ELECTIONS WOULD GAIN LEGITIMACY. IT WOULD OPEN UP A NEW CHAPTER IN THE ZIA-BHUTTO DRAMA AND WOULD PUT MORE PRESSURE ON JUNEJO AND ZIA TO FIND A WAY TO PREVENT BENAZIR AND THE PPP FROM CONTESTING IN 1990.

FOREIGN RELATIONS

11. PAKISTAN'S PRIMARY FOREIGN POLICY CONCERNS DURING THE PAST SIX MONTHS HAVE FOCUSED ON AFGHANISTAN, IRAN AND THE GULF, AND US RELATIONS. NO PROGRESS HAS BEEN MADE IN NORMALIZING RELATIONS WITH INDIA, BUT THE CRISIS ATMOSPHERE INDUCED BY INDIA'S "BRASS TACKS" EXERCISE, WHICH PREVAILED AT THE BEGINNING OF THE SIX-MONTH REPORTING PERIOD, HAD LARGELY DISSIPATED BY MID-MARCH.

12. AFGHANISTAN NEGOTIATIONS. MOMENTUM TOWARD REACHING AN AFGHAN SETTLEMENT APPEARS TO HAVE PEAKED, AT LEAST TEMPORARILY, AT THE UN GENEVA TALKS HELD IN LATE FEBRUARY AND EARLY MARCH. AT THAT TIME, THE KABUL/MOSCOW SIDE CAME DOWN TO AN 18-MONTH TROOP WITHDRAWAL TIMETABLE AND THE PAKISTANIS RESPONDED WITH SEVEN MONTHS. THE FLURRY



PAGE 22 STATE 280112

OF SOVIET/PAKISTAN BILATERAL DISCUSSIONS, WHICH PRECEDED THE GENEVA SESSION, HAS SUBSEQUENTLY CEASED. MOSCOW IS

PROBABLY WAITING TO SEE HOW THIS YEAR'S MILITARY OPERATIONS PROGRESS AND HOW NAJIBULLAH'S NATIONAL RECONCILIATION POLICIES FARE, BOTH INTERNALLY AND INTERNATIONALLY, BEFORE RENEWING THE DIALOGUE. PAKISTAN, NO DOUBT, HOPES THAT STEADILY IMPROVING MUJAHIDIN CAPABILITIES AND SUCCESS ON THE BATTLEFIELD WILL INDUCE FURTHER FLEXIBILITY IN MOSCOW'S NEGOTIATING POSITION.

13. KABUL AND MOSCOW HAVE ALSO RETALIATED AGAINST PAKISTAN'S SUPPORT FOR THE AFGHAN RESISTANCE BY CARRYING THE WAR MORE DIRECTLY INTO PAKISTAN. HEAVY AERIAL BOMBING ATTACKS, IN FEBRUARY AND MARCH, ON AFGHAN RESISTANCE STAGING AREAS JUST INSIDE THE PAKISTAN BORDER, WERE ESSENTIALLY MILITARY OPERATIONS AGAINST THE MUJAHIDIN, WHO, AT THE TIME, WERE ASSEMBLING THEIR SUPPLY CARAVANS AND PREPARING TO CROSS INTO AFGHANISTAN FOR A NEW YEAR OF FIGHTING. HOWEVER, BECAUSE OF THE UNUSUALLY HIGH CASUALTIES -- PRIMARILY AFGHAN MUJAHIDIN AND

UNCLASSIFIED





REFUGEES -- THE RAIDS CAUSED CONSIDERABLE CONSTERNATION IN ISLAMABAD. SINCE THE SPRING SUCH ATTACKS HAVE DROPPED OFF DRAMATICALLY -- MOST MUJAHIDIN AND THEIR WEAPONS ARE ALREADY WELL INSIDE AFG ANISTAN -- BUT THEY COULD RESUME WHENEVER THE MUJAHIDIN AGAIN PRESENT A SIMILARLY HIGH PROFILE TARGET.

UNCLASSIFIED

14. MEANWHILE, TERRORIST BOMBINGS ATTRIBUTED TO KABUL'S KHAD AGENTS, WHICH HAVE SPREAD BEYOND THE BORDER AREAS INTO PAKISTAN'S MAJOR CITIES, ARE GREATLY INCREASING PUBLIC INSECURITY AND APPREHENSION AND ARE HAVING SOME SUCCESS IN PROVOKING PUBLIC DEMONSTRATIONS AGAINST

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PAGE 23 STATE 280112

PAKISTANI SUPPORT FOR THE MUJAHIDIN AND FOR THE REFUGEES IN PAKISTAN. PRESIDENT ZIA, HOWEVER, HAS CALLED ON PAKISTANIS TO MEET THE CHALLENGE. WE DO NOT EXPECT THE GOVERNMENT WILL ABANDON THE POLICY THAT IT BELIEVES HAS BEEN, TO DATE, VERY EFFECTIVE IN CAUSING THE SOVIETS TO MODIFY THEIR GOALS IN AFGHANISTAN. HOWEVER, ISLAMABAD WILL CERTAINLY TRY TO REINVIGORATE THE AFGHAN NEGOTIATING PROCESS TO REASSURE ITS PUBLIC.

15. PAK IRANIAN RELATIONS. RELATIONS WITH PAKISTAN ARE OF GREAT IMPORTANCE FOR IRAN. AWARE OF THIS, PAKISTAN SEES ITSELF AS COUNTERACTING IRAN'S DIPLOMATIC ISOLATION (PAKISTAN WILL BE REPRESENTING IRAN'S INTERESTS IN PARIS), AND HAS CONTINUED TO TRY TO STRENGTHEN BILATERAL RELATIONS -- A PROCESS WHICH BEGAN IN LATE 1986 IN CONNECTION WITH EFFORTS TO COORDINATE POSITIONS ON AFGHANISTAN. ISLAMABAD MUST REMAIN WARY, HOWEVER, OF IRAN'S POTENTIAL FOR TROUBLE-MAKING, BOTH THROUGH ITS

SUPPORT FOR MILITANT, PRO-KHOMEINI PAKISTANI SHIAS, WHO ARE ALSO ANTI-ZIA, AND THROUGH ITS INFILTRATION INTO PAKISTAN OF OPERATIVES SENT TO ATTACK ANTI-KHOMEINI IRANIANS. IN EARLY JULY, RAIDS BY PRO-KHOMEINI TEAMS AGAINST ANTI-KHOMEINI HEADQUARTERS IN KARACHI AND QUETTA CAUSED A NUMBER OF DEATHS, LED TO THE ARREST OF PRO-KHOMEINI ATTACKERS, AND DEMONSTRATED ALL-TOO-GRAPHICALLY THE FIREPOWER WITHIN PAKISTAN OF PRO-KHOMEINI GROUPS. THE GROWING NUMBER OF IRANIAN REFUGEES, PARTICULARLY IN KARACHI, IS ANOTHER SOURCE OF FRICTION.

16. US-PAKISTAN. PAKISTAN'S RELATIONS WITH THE UNITED STATES HAVE BEEN A MAJOR PAKISTANI FOREIGN POLICY ISSUE DURING THE PAST SIX MONTHS. CONCERN THAT DISAGREEMENT OVER PAKISTAN'S NUCLEAR POLICIES WOULD THREATEN THE PROPOSED NEW AID PACKAGE INCREASED WHEN US AUTHORITIES CONFIDENTIAL

UNCLASSIFIED

PAGE 24

STATE 280112

UNCLASSIFIED

ARRESTED A PAKISTANI RESIDENT OF CANADA, ARSHAD PERVEZ, FOR TRYING TO CIRCUMVENT US LAWS CONTROLLING THE EXPORT OF NUCLEAR-RELATED MATERIAL. IT REMAINS UNCLEAR WHETHER THE US CONGRESS WILL TAKE PUNITIVE ACTION TO EITHER TEMPORARILY SUSPEND OR OTHERWISE CURTAIL US AID TO PAKISTAN. THE PERVEZ CASE HAS COINCIDED WITH GROWING CONCERN IN PAKISTAN OVER TERRORIST BOMBINGS, THAT SOME BLAME ON THE US, PERCEIVED AS THE ARCHITECT OF ISLAMABAD'S AFGHANISTAN POLICY. IT HAS ALSO COINCIDED WITH OPPOSITION, PARTICULARLY AMONG PAKISTANI SHIAS, TO THE US PLAYING AN ACTIVE ROLE IN GULF AFFAIRS.

17. INDO-PAKISTAN NORMALIZATION ON HOLD. TENSIONS BETWEEN PAKISTAN AND INDIA, STEMMING INITIALLY FROM THE LATTER'S MASSIVE "BRASS TACKS" MILITARY EXERCISES IN LATE 1986-EARLY 1987, GRADUALLY LESSENERED DURING FEBRUARY AND MARCH, AS BOTH COUNTRIES REDEPLOYED THEIR FORCES AWAY FROM THE BORDER. SINCE THEN, RELATIONS HAVE BEEN ON HOLD, ALTHOUGH MEETINGS SCHEDULED FOR AUGUST TO DISCUSS ECONOMIC COOPERATION MIGHT EVENTUALLY LEAD TO RESUMED TRADE TALKS -- A SUBJECT OF SPECIAL INTEREST TO INDIA. HOWEVER, A NEW WAVE OF SIKH VIOLENCE IN INDIA THIS SUMMER IS LIKELY ONCE MORE TO PREVENT ANY PROGRESS TOWARD NORMALIZATION, FURTHER HARDENING INDIAN CONVICTIONS THAT PAKISTAN (DESPITE OFFICIAL DENIALS) SUPPORTS SIKH EXTREMISTS. (FOR FURTHER DISCUSSION OF INDIA-PAKISTAN RELATIONS SEE THE INDIA SECTION.)

INDIA

DOMESTIC SITUATION

1. GANDHI'S PROBLEMS. GANDHI'S POLITICAL SITUATION

PAGE 25

STATE 280112

CONTINUES TO DETERIORATE. CHARGES OF COVERING UP HIGH LEVEL CORRUPTION AND KICK BACKS ON DEFENSE CONTRACTS WIPED OUT HIS MR. CLEAN IMAGE AND MORE DAMAGING REVELATIONS ARE LIKELY. CABINET RESHUFFLES GIVE THE IMPRESSION OF INDECISIVENESS. ALTHOUGH THE SRI LANKA ACCORD WILL HELP HIM, LONG-STANDING ETHNIC CONFLICTS WITHIN INDIA CONTINUE UNDERSCORING GANDHI'S POLICY FAILURES.

2. A NO-WIN IMAGE. PERHAPS MOST DAMAGING TO GANDHI

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POLITICALLY IS THE GROWING BELIEF AMONG HIS FELLOW CONGRESS (I) COLLEAGUES THAT HE CANNOT WIN ELECTIONS. SINCE MID, 198, HIS PARTY HAS LOST A STRING OF STATE - ASSEMBLY POLLS; IT NOW CONTROLS ONLY ABOUT ONE-HALF OF INDIA'S TWENTY-FIVE STATES. MOST DEVASTATING WAS THE PARTY'S TROUNCING THIS PAST JUNE IN THE HINDI-SPEAKING STATE OF HARYANA, WHERE CONGRESS (I) WON ONLY 5 OF 87 CONTESTED ASSEMBLY SEATS. THE MAGNITUDE OF THE DEFEAT SUGGESTS THAT THE CONGRESS (I) PARTY'S POPULAR STRENGTH MAY BE ERODING IN THE HINDI BELT, WHICH CONTAINS OVER ONE-HALF THE COUNTRY'S POPULATION AND IS THE BASE OF THE RULING PARTY'S STRENGTH.

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3. THE ELECTORAL LOSSES ARE ESPECIALLY BAD NEWS TO CONGRESS (I) BECAUSE THEY UNDERScore THE LOSS OF SUPPORT AMONG KEY GROUPS. MUSLIMS AND HINDU UNTOUCHABLES, ANGERED AT THE SURGE OF COMMUNAL RIOTING, DESERTED THE PARTY IN LARGE NUMBERS. THE CONTINUED BLOOD-LETTING IN PUNJAB BY SIKH MILITANTS ANGERED HINDUS. EVEN GANDHI'S MOVE TO REIMPOSE CENTRAL RULE IN PUNJAB AND TO ADOPT A TOUGH LAW AND ORDER STANCE THERE DID NOT SEEM TO IMPRESS MANY HINDUS.

4. CONGRESS-I DISCONTENT. SOME CONGRESS (I) DISSIDENT PARLIAMENTARIANS SIGNALLED THEIR DISCONTENT IN AN UNSUCCESSFUL EFFORT TO PERSUADE FORMER PRESIDENT ZAIL

PAGE 26 STATE 280112

SINGH -- NO FRIEND OF THE PRIME MINISTER -- TO RUN AGAINST THE PARTY'S OFFICIAL NOMINEE. ON THE EVE OF THE JULY 13 PRESIDENTIAL POLL, GANDHI EXPELLED SOME PROMINENT PARTY FIGURES, INCLUDING HIS POLITICALLY AMBITIOUS COUSIN ARUN NEHRU. AFTER HIS PRESIDENTIAL CANDIDATE WON, GANDHI EXPELLED FORMER DEFENSE MINISTER V.P. SINGH, WHOSE INVESTIGATIONS OF CORRUPTION HAD EMBARRASSED GANDHI.

5. V.P. SINGH'S EXPULSION PROVIDED THE DISSIDENTS A FOCUS AROUND WHICH TO RALLY, AND MAKE IT LESS CERTAIN

THAT GANDHI WILL SURVIVE UNTIL THE NEXT GENERAL ELECTIONS. SINGH HAS EMBARKED ON A COUNTRYWIDE SPEAKING TOUR, AND HAS DRAWN HUGE CROWDS. HE AND OTHER CONGRESS (I) DISSIDENTS IDENTIFYING WITH HIM ARE TRYING TO EXPLOIT FACTIONALISM IN CONGRESS (I)-CONTROLLED STATES. THEIR OBJECTIVE MAY BE TO TOPPLE SUCH GOVERNMENTS IN THE EXPECTATION THAT PARLIAMENTARIANS FROM THOSE STATES WILL TURN AGAINST GANDHI. THEIR MAJOR EFFORT SO FAR IS IN UTTAR PRADESH, INDIA'S LARGEST STATE, AND THE HOME OF BOTH THE PRIME MINISTER AND V.P. SINGH.

6. GANDHI'S ASSETS. THE PRIME MINISTER, HOWEVER, STILL

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RETAINS SOME FORMIDABLE ASSETS. HIS PARTY CONTROLS OVER TWO-THIRDS OF THE SEATS IN PARLIAMENT, AND AN ANTI-DEFECTION LAW REQUIRES PARTY REBELS TO VACATE THEIR SEATS, UNLESS AT LEAST ONE-THIRD THE CONGRESS (I) MEMBERSHIP IN PARLIAMENT JOIN WITH THEM IN LEAVING THE PARTY. THIS IS A SUBSTANTIAL OBSTACLE TO DEFECTION, AND FEW CONGRESS (I) MEMBERS OF PARLIAMENT WANT TO GO THROUGH WITH ANOTHER ELECTION BEFORE LATE 1989, WHEN GENERAL ELECTIONS ARE SCHEDULED TO TAKE PLACE. FOR THEIR PART, THE OPPOSITION PARTIES ARE HOPELESSLY DIVIDED, AND

UNCLASSIFIED

PAGE 27 STATE 280112

UNCERTAIN ABOUT HOW THEY SHOULD TAKE ADVANTAGE OF CONGRESS (I) DISSIDENCE.

7. GANDHI'S RESPONSE. THE CHALLENGES TO GANDHI HAVE PROMPTED HIM TO TURN TO OLD LINE, LEFTIST CONGRESS (I) POLITICIANS AND ADVISORS. BESIDES ADOPTING A MORE POPULIST TONE, GANDHI HAS SLOWED THE PACE OF ECONOMIC LIBERALIZATION. HIS CONGRESS (I) WORKING COMMITTEE IN MAY PASSED A RESOLUTION WHICH WAS A RECITATION OF STANDARD THIRD WORLD SOCIALIST JARGON. WHILE TALKING ABOUT THE NECESSITY OF REVIVING THE PARTY'S ANEMIC GRASS ROOTS BASE, HE HAS DONE ALMOST NOTHING TO MAKE IT A DYNAMIC BODY. UNLESS HE SOON BEGINS TO DO SO, HE MAY FIND HIMSELF INCREASINGLY OUTMANUEVERED BY THE DISSIDENTS AND AT A DISADVANTAGE IN THE NEXT GENERAL ELECTION.

FOREIGN RELATIONS

8. INDO-PAK NORMALIZATION STALLED. FOLLOWING THE FEBRUARY-MARCH INDO-PAKISTANI AGREEMENTS REDEPLOYING TROOPS AWAY FROM THE FRONTIER, FEW SIGNIFICANT STEPS HAVE BEEN TAKEN TO GET THE STALLED RAPPROCHEMENT PROCESS GOING. A NUMBER OF IMPORTANT ISSUES REQUIRE ACTION: BLENDING PAKISTAN'S NO-WAR PACT WITH INDIA'S TREATY OF FRIENDSHIP; FINALIZING THE 1985 ZIA/GANDHI VERBAL AGREEMENT PLEDGING EACH COUNTRY NOT TO ATTACK THE OTHER'S

NUCLEAR FACILITIES; WORKING OUT A SATISFACTORY TRADE RELATIONSHIP; DEMARCATING THE CONTESTED SIACHEN GLACIER BORDER; AND PRACTICAL STEPS TO PERSUADE EACH SIDE TO END CROSS-BORDER ASSISTANCE TO ETHNIC DISSIDENTS IN THE OTHER COUNTRY. INDIA REMAINS CONVINCED THAT PAKISTAN IS HELPING SIKH EXTREMISTS (THOUGH IT HAS, SINCE THE TWO HOME SECRETARIES MET IN DECEMBER 1986, TONED DOWN ITS CHARGES), AND PRIME MINISTER JUNEJO RECENTLY COMMENTED THAT INDIA MAY BE BEHIND PAKISTAN'S LATEST SPATE OF

UNCLASSIFIED

PAGE 28 STATE 280112

ETHNIC RIOTS.

UNCLASSIFIED

9. US MILITARY AID TO PAKISTAN STILL A PROBLEM. INDIA HAS BECOME EVEN MORE CRITICAL OF THE PROPOSED NEW US MILITARY ASSISTANCE PROGRAM TO PAKISTAN. NEW DELHI CONTINUES TO INSIST THAT THESE ARMS ARE INTENDED FOR USE AGAINST IT, AND NOT AGAINST ANY THREAT FROM THE NORTHWEST. INDIA IS ESPECIALLY ALARMED BY POSSIBLE PAKISTANI ACQUISITION OF AN AEW CAPABILITY, ARGUING THAT SUCH A MILITARY SYSTEM IS A FORCE MULTIPLIER WHICH FORCES INDIA TO INCREASE SIGNIFICANTLY ITS OWN MILITARY EXPENDITURES. INDIA HAS ALSO STEPPED UP ITS CRITICISM OF PAKISTAN'S NUCLEAR PROGRAM, PROMPTED BY THE LATEST A.Q.KHAN INTERVIEW AND THE FALLOUT FROM THE PERVEZ CASE. ITS APPROACH IS AT LEAST PARTLY DESIGNED TO EGG ON AMERICAN CONGRESSIONAL OPPOSITION TO THE NEW MILITARY AID PACKAGE FOR PAKISTAN.

10. THE SRI LANKA ACCORD. INDIA'S MOST DARING AND SUCCESSFUL FOREIGN POLICY INITIATIVE THIS YEAR WAS ITS MOVE TO RESOLVE THE FESTERING ETHNIC CONFLICT IN SRI LANKA. IN EARLY JUNE, INDIA'S HUMANITARIAN AIR DROP OVER SRI LANKA -- ACCOMPANIED BY MIRAGE 2000 FIGHTERS -- WAS A THINLY VEILED WARNING THAT INDIA WAS PREPARED TO GET TOUGHER WITH SRI LANKA, IF SRI LANKAN MILITARY ATTACKS ON ITS TAMIL INSURGENTS RESULTED IN HIGH CIVILIAN CASUALTIES. PRESIDENT JAYEWARDENE GOT THE MESSAGE. HE ENTERED INTO NEGOTIATIONS WITH INDIA THAT RESULTED IN SIGNIFICANT CONCESSIONS IN A PEACE ACCORD SIGNED JULY 29 BY GANDHI AND JAYEWARDENE. INDIA ALSO CONVINCED JAYEWARDENE TO AGREE THAT COLOMBO WOULD NOT PERMIT ANY PREJUDICIAL THIRD PARTY (READ PAKISTAN AND/OR THE U.S.) MILITARY PERSONNEL OR FACILITIES IN SRI LANKA, TO WHICH

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PAGE 29 STATE 280112

INDIA OBJECTED, THUS GIVING INDIA AN INCREASED ROLE IN SRI LANKAN AFFAIRS.

11. INDIA APPEARS DETERMINED TO BRING ABOUT A RECONCILIATION OF THE TWO MAJOR ETHNIC COMMUNITIES ON THE TROUBLED ISLAND REPUBLIC. NEW DELHI FLEW V. PRABHAKARAN,

THE LEADER OF THE LARGEST TAMIL MILITANT GROUP, TO THE CAPITAL AND AFTER SEVERAL DAYS OF NEGOTIATIONS, PRABHAKARAN AGREED -- WITHOUT GREAT ENTHUSIASM -- TO HAND OVER ARMS TO THE INDIAN TROOPS DEPLOYED TO THE NORTHERN AND EASTERN PROVINCES. INDIA WARNED THAT ITS TROOPS WOULD SEIZE ANY ARMS NOT SURRENDERED BY THE TAMIL

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MILITANTS. IT ALSO AGREED TO JOINT INDO-SRI LANKAN PATROLLING OF THE PALK STRAIT, AND TO HELP COLOMBO MAINTAIN LAW AND ORDER IN THE TWO TAMIL MAJORITY PROVINCES IF REQUESTED.

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12. INDO-SOVIET FRIENDSHIP. INDIA'S RELATIONS WITH THE USSR REMAIN VERY CORDIAL. GANDHI VISITED THE USSR IN JULY TO OPEN A CULTURAL FESTIVAL, AND CHAIRMAN GORBACHEV HEAPED HIGH PRAISE ON HIM, PERHAPS IN AN EFFORT TO STRENGTHEN GANDHI'S SAGGING DOMESTIC FORTUNES. INDIA APPEARS TO BE LESS ALARMED BY THE PROSPECT OF IMPROVED SINO-SOVIET RELATIONS, IN PART BECAUSE TENSIONS ON THE SINO-INDIAN BORDER SEEM TO HAVE ABATED, AFTER THE VISIT TO BEIJING IN JUNE BY INDIAN FOREIGN MINISTER TIWARI. NONETHELESS, GANDHI IS STILL ANXIOUS TO RETAIN MOSCOW'S SUPPORT; NEW DELHI'S POSITIVE STATEMENTS REGARDING AFGHAN SECRETARY GENERAL NAJIB'S NATIONAL RECONCILIATION EFFORTS MAY BE DESIGNED TO REASSURE MOSCOW OF THE LASTING IMPORTANCE TO INDIA OF SOVIET FRIENDSHIP.

13. INDO-US RELATIONS. ON THE INDO-US FRONT, THE GOI CONTINUES TO CITE A "TREMENDOUS" IMPROVEMENT, WHILE STILL REGULARLY ENGAGING IN YANKEE-BASHING. THE LATTER

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PAGE 30 STATE 280112

APPARENTLY ORIGINATES FROM SOME OF GANDHI'S LEFTIST ADVISORS, PART OF AN UNSUCCESSFUL ATTEMPT TO BUILD DOMESTIC SUPPORT FOR THE PRIME MINISTER. THE JULY VISIT TO WASHINGTON OF AN INDIAN MINISTRY OF DEFENSE DELEGATION, TO DISCUSS COOPERATION ON THE LIGHT COMBAT AIRCRAFT, SUGGESTS THAT INDIA REMAINS CONVINCED OF THE VALUE OF US HIGH TECHNOLOGY. ALSO, THE US IS STILL INDIA'S NUMBER ONE TRADING PARTNER AND THE SOURCE OF THE LARGEST NUMBER OF COLLABORATIVE COMMERCIAL AGREEMENTS.

14. SINO-INDIAN FRONT. INDIA AND CHINA EARLY THIS YEAR BEEFED UP THEIR MILITARY POSITIONS ALONG THE CONTESTED BORDER BETWEEN XIZANG (TIBET) AND THE INDIAN STATE OF ARUNACHAL PRADESH. HOWEVER, THE HARSH RHETORIC DECLINED CONSIDERABLY IN EARLY SUMMER. THEN-FOREIGN MINISTER TIWARI VISITED CHINA IN JUNE, IN AN EFFORT TO CONVINCING THE CHINESE OF INDIA'S PACIFIC INTENTIONS AND TO AGREE TO ANOTHER ROUND OF THE DELAYED BILATERAL BORDER TALKS. TIWARI ANNOUNCED THAT THE TALKS WOULD TAKE PLACE LATER

THIS YEAR. TO SIGNAL ITS DESIRE FOR IMPROVED RELATIONS, INDIA MAY ALSO HAVE DOWNPLAYED OR CANCELLED MILITARY MANUEVERS IN NORTHEASTERN INDIA. HOWEVER, NEITHER SIDE HAS YET INDICATED THAT IT IS PREPARED TO COMPROMISE, AND THIS COULD CREATE PROBLEMS WHEN THEY SIT DOWN TO TALK.

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15. REGIONAL COOPERATION. REGIONAL COOPERATION IS CAUTIOUSLY MOVING AHEAD IN SOUTH ASIA, DESPITE SOME PERSISTENT DISTRUST OF INDIA ON THE PART OF ITS IMMEDIATE (AND SMALLER) NEIGHBORS. THE SOUTH ASIAN ASSOCIATION FOR REGIONAL COOPERATION (SAARC) HELD A PRODUCTIVE MEETING OF FOREIGN MINISTERS IN NEW DELHI JUNE 18-19, DESPITE FEARS THAT GENERAL ANTI-PATHY TO INDIA'S FLOUTING SRI LANKAN

UNCLASSIFIED

PAGE 31 STATE 280112

SOVEREIGNTY IN AIRDROPPING RELIEF SUPPLIES TO SRI LANKAN

TAMILS WOULD DISRUPT THE PROCEEDINGS. THAT IT DID NOT DO SO IS TESTIMONY BOTH TO THE LOW-KEY ORGANIZATIONS'S RESILIENCE AND TO ITS LIMITATIONS. COMMITMENT TO THE AVOIDANCE OF DIVISIVE CONTROVERSY IS BUILT INTO SAARC --- ITS CHARTER EXPLICITLY EXCLUDES FROM ITS DELIBERATIONS ALL "BILATERAL AND CONTENTIOUS ISSUES."

16. SAARC ACHIEVEMENTS. SAARC WORKING GROUPS DISCUSS COOPERATION IN A BROAD ARRAY OF NON-CONTROVERSIAL FIELDS, SUCH AS AGRICULTURE, TELECOMMUNICATIONS, CULTURE, SPORTS, HEALTH, ETC. GIVEN THE REGION'S HISTORY OF CONFLICT AND THE EXPERIENCE OF OTHER REGIONAL GROUPINGS, PROGRESS BY THE WORKING GROUPS IS ENCOURAGING. EARLY ACCOMPLISHMENTS INCLUDED ESTABLISHMENT OF A REGIONAL METEOROLOGICAL RESEARCH CENTER IN INDIA AND AN AGRICULTURAL INFORMATON CENTER IN BANGLADESH.

17. THE MOST CONTENTIOUS ISSUES ON THE SAARC AGENDA SO FAR, ADOPTED AT THE INITIATIVE OF SAARC HEADS OF STATE AT THEIR LAST GET-TOGETHER, ARE PROBLEMS ASSOCIATED WITH NARCOTICS AND TERRORISM.

- A TECHNICAL GROUP ON NARCOTICS HAS REPORTEDLY ACHIEVED SUBSTANTIAL AGREEMENT ON A REGIONAL STRATEGY TO COMBAT DRUG TRAFFICKING (THOUGH DETAILS ARE NOT AVAILABLE).

-- AT THE JUNE 1987 MEETING, THE FOREIGN MINISTERS ADOPTED A LIST OF TERRORIST ACTS FOR WHICH THE "POLITICAL CRIMES" DEFENSE COULD NOT BE INVOKED TO PREVENT EXTRADITION.

18. AN INFORMAL BILATERAL FORUM. PERHAPS ITS GREATEST CONTRIBUTION TO REGIONAL STABILITY IS THAT SAARC SERVES TO FACILITATE THE CONSIDERATION OF BILATERAL ISSUES, BY

PAGE 32 STATE 280112

UNCLASSIFIED

PROVIDING AN OPPORTUNITY FOR TOP-LEVEL BILATERAL CONSULTATIONS AT THE MARGINS OF MEETINGS. IN JUNE, THE INDIAN FOREIGN MINISTER'S MEETING WITH PAKISTAN FOREIGN MINISTER YAQUB KHAN LED TO AN AGREEMENT TO CONVENE THEIR BILATERAL ECONOMIC COMMISSION, WHILE HIS MEETING WITH SRI LANKAN FOREIGN MINISTER HAMEED SIGNALLED A RELAXATION IN INDO-SRI LANKAN TENSIONS. SHULTZ

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