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2010-1905-S

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Collection/Office of Origin: National Security Council
Series: H-Files
Subseries: NSR Files

OA/ID Number: 90006
Folder ID Number: 90006-011

Folder Title:
NSR-8 - February 22, 1989 - U.S. Policy Toward South Asia

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Withdrawal/Redaction Sheet

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Doc. No. / Type	Subject/Title	Date	Restriction	Classification
01. NSR	Re: National Security Review 8 - U.S. Policy Toward South Asia (2 pp.)	2/22/89	(b)(1)	S
02. Distribution Record	Re: NSR-8 (1 pp.)	2/23/89	(b)(3) [50 U.S.C. 403g, Sec.6]	
03a. Memo	Richard N. Haass to Brent Scowcroft Re: Proposed National Security Review (NSR) of U.S. Policy Toward South Asia (1 pp.)	2/14/89	(b)(1)	C
03b. Memo	Brent Scowcroft to POTUS Re: U.S. Policy Toward South Asia (1 pp.)	n.d.	(b)(1)	S
03c. Memo	To Distribution List Re: U.S. Policy Toward South Asia (2 pp.)	n.d.	(b)(1)	S
04a. Memo	Brent Scowcroft to POTUS Re: U.S. Policy Toward South Asia (1 pp.)	2/21/89	(b)(1)	S
04b. NSR	Re: National Security Review 8 - U.S. Policy Toward South Asia (2 pp.)	2/22/89	(b)(1)	S
04c. Memo	Richard N. Haass to Brent Scowcroft Re: Proposed National Security Review (NSR) of U.S. Policy Toward South Asia (1 pp.)	2/21/89	(b)(1)	S

Page 1 of 2

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WHORM Cat.:

File Location: NSR-8 - February 22, 1989 - U.S. Policy Toward South Asia

Pinksheet Number: cap2003

OA/ID Number: 90006-011

Date Closed: 7/2/2010

FOIA/Sys Case #: 2010-1905-S

Re-review Case #:

P-2/P-5 Review Case #:

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Doc. No. / Type	Subject/Title	Date	Restriction	Classification
04d. Memo	Richard N. Haass to Brent Scowcroft Re: Proposed National Security Review (NSR) of U.S. Policy Toward South Asia (1 pp.)	2/17/89	(b)(1)	C
04e. Draft NSR	Re: U.S. Policy Toward South Asia (2 pp.)	n.d.	(b)(1)	S
05a. Report	Re: National Security Review #8 - South Asia [FOIA RESTRICTIONS REDACTED] (24 pp.)	n.d.	(b)(1)	S
05b. Report	Re: [Super 301] (4 pp.)	n.d.	(b)(1)	C
06a. Report	Re: National Security Review #8 - South Asia [FOIA RESTRICTIONS REDACTED] (24 pp.)	n.d.	(b)(1)	S
06b. Report	Re: [Super 301] (4 pp.)	n.d.	(b)(1)	C

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No. NSR 8

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20044

THE WHITE HOUSE

WASHINGTON

February 22, 1989

NATIONAL SECURITY REVIEW 8

DECLASSIFIED
PER E.O. 13526

2007-0787-MR
7/24/2012 MM

MEMORANDUM FOR THE VICE PRESIDENT
THE SECRETARY OF STATE
THE SECRETARY OF DEFENSE
THE DIRECTOR OF CENTRAL INTELLIGENCE
ASSISTANT TO THE PRESIDENT FOR
NATIONAL SECURITY AFFAIRS
CHAIRMAN, JOINT CHIEFS OF STAFF

SUBJECT: U.S. Policy Toward South Asia (S)

The changing situation in Afghanistan and our continuing stake in South Asian stability require that we undertake a comprehensive review of U.S. policy toward South Asia, with a principal focus upon U.S. relations with India and Pakistan. (S)

The review should be completed not later than March 24, 1989. It should include clear policy options/recommendations. Any differences in views between agencies should be noted. At a minimum, the review should address the following questions and issues:

PART I: ASSESSMENT

- What are the prospects for internal stability within India and Pakistan? Similarly, what are the prospects for democracy and economic growth? (S)
- What are U.S. interests in South Asia? How does the Soviet withdrawal from Afghanistan affect these, especially in Pakistan? (S)
- What can be anticipated from India in terms of its regional diplomacy? What military intervention can be anticipated? How will this affect U.S. interests? (S)
- How do we expect Pakistan to view its relationship with the United States in the post-Zia era and in the wake of the withdrawal of Soviet troops from Afghanistan? What requests are likely to be made for security assistance? What are the implications of approving or rejecting requests for assistance or advanced weapons sales? (S)

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- What is the status of the Indian and Pakistani nuclear and ballistic missile programs? What are the likely consequences for regional stability? What would be the consequences for our relationship with Pakistan, our relationship with India, and their relationship with one another of a failure on our part to certify Pakistan's eligibility to receive U.S. security assistance owing to non-proliferation concerns? (S)
- What are the prospects for improved Indo-Pakistani relations? What developments within each country and within the region are most likely to affect their relationship? (S)
- What are Soviet and Chinese interests in the region? How can they be expected to promote them? How do we expect the Soviet-Pakistani relationship to develop now that Soviet troops are out of Afghanistan? How do we think the Soviet-Indian relationship will be affected by improvements in Sino-Soviet relations? (S)

PART II: OPTIONS FOR POLICY

- What can and should the United States do to promote internal stability within India and Pakistan? What can we do to strengthen democracy and support economic growth? (S)
- What can the United States do to affect Indian foreign and defense policy? What should be U.S. policy regarding Indian requests for the transfer of high-technology? (S)
- What should be U.S. policy towards likely Pakistani requests for security assistance? What other means do we have to promote our objectives in Pakistan? What in particular can we do to shape Pakistani attitudes toward proceeding with a nuclear weapons option for itself? (S)
- What can the United States do to promote a better relationship between India and Pakistan? What can the United States do to enhance regional stability, both with regard to the nuclear dimension of Indo-Pakistani relations and more generally? (S)
- What if anything should the United States do to affect Soviet and Chinese behavior toward South Asia or the behavior of regional states toward both? (S)
- What should be U.S. policy toward the other states of South Asia? (S)

Ag. B. L.

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PROFILE

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ID 8920044

RECEIVED 15 FEB 89 12

TO

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FROM HAASS

DOCDATE 14 FEB 89

KEYWORDS: SOUTH ASIA

NSR

SUBJECT: NSR-8 US POLICY TWDS SOUTH ASIA

ACTION: FWD TO PRES FOR SIG

DUE: 16 FEB 89 STATUS CD FILES IFD 0

FOR ACTION

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- APR - 6 1989

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SOURCE DATA

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PERITO	Z	89022108	FWD TO PRES FOR SIG	
PRESIDENT	Z	89022212	FOR SIGNATURE	
	X	89022316	PRES SGD NSR 8	

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Re-review Case #:	Appeal Disposition:
P-2/P-5 Review Case #:	Disposition Date:
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RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-3 Release would violate a Federal statute [(a)(3) of the PRA]
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23 FEB 89 1600

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THE SECRETARY OF HUD 451 7th Street SW, Room 10000				
THE SECRETARY OF EDUCATION 400 Maryland Avenue, SW, Room 4181				

DATE, TIME & SIGN THIS RECEIPT & RETURN TO: ST MERCHANT, SITUATION ROOM, WHITE HOUSE

**National Security Council
The White House**

89 FEB 24 P 2: 47

LOG # 20044
 SYSTEM PRS (NSC) INT
 DOCLOG A/O

	SEQUENCE TO	HAS SEEN	DISPOSITION
Bob Perito	_____	_____	_____
Philip Hughes	_____	_____	_____
Bob Gates	_____	_____	_____
Brent Scowcroft	_____	_____	_____
Philip Hughes	_____	_____	_____
Situation Room	_____	_____	_____
West Wing Desk	<u>1</u>	_____	<u>OR E</u>
NSC Secretariat	<u>2</u>	<u>[Signature]</u>	<u>N/A</u>
_____	_____	_____	_____
_____	_____	_____	_____

A = Action	I = Information	D = Dispatch	R = Retain	N = No further Action
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cc: VP Sununu Other _____

COMMENTS Should be seen by: _____

(Date/Time)

WWD charges
 made
 Please send
 back to GPH
 950
 Staff offices

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

February 14, 1989

ACTION

MEMORANDUM FOR BRENT SCOWCROFT

FROM: RICHARD N. HAASS *CH*

SUBJECT: Proposed National Security Review (NSR) of U.S.
Policy Toward South Asia

At Tab I is a cover memo from you to the President recommending that he sign out the attached memo calling for an interagency review of our policy towards South Asia. I have cleared the Terms of Reference on an informal basis with appropriate representatives of the State and Defense Departments.

N. Nicholas Rostow (who has coordinated the NSR with Boyden Gray),
Bob Blackwill, *MM* Nancy Menan *MM* and Peter Rodman *MM* concur.

RECOMMENDATION

That you sign out the memorandum to the President covering a proposed NSR calling for a completed PCC study by March 24.

Approve _____ Disapprove _____

Attachments

Tab I Scowcroft Memo to the President
Tab A Proposed NSR

OBE-NFAR

Such - some suggestions.
Re.

I would try to group questions of assessment and fact (internal political, economic, military developments) separately from these US interests and

you did on the Peace Process NSR.

THE WHITE HOUSE

WASHINGTON

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: BRENT SCOWCROFT

SUBJECT: U.S. Policy Toward South Asia ~~+ Signing~~
~~Out the NSR~~

Issue

Whether to sign the National Security Review (NSR) on U.S. policy toward South Asia.

Background

the basis for
In the wake of the Soviet pull-out from Afghanistan and amidst mounting congressional concerns over Pakistan's apparent efforts to develop a nuclear explosive, it is important that we undertake a comprehensive review of our approach to South Asia. The attached NSR calls for a thorough assessment of the situation we inherit and ~~goes on to set~~ out specific questions, the answers to which would provide recommendations for policy. The Policy Coordinating Committee (PCC) review would be completed before the end of March, sufficiently early so that we can go ahead and make specific decisions affecting hi-tech exports to India and deal with Pakistan on the nuclear issue.

Recommendation

That you sign the NSR at Tab A.

Prepared by: Richard N. Haass

Attachment
Tab A

Proposed NSR

~~SECRET~~

Declassify on: OADR

DECLASSIFIED
PER E.O. 13526

2007-0787-MR
7/24/2012 MM

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
03c. Memo	To Distribution List Re: U.S. Policy Toward South Asia (2 pp.)	n.d.	(b)(1)	S

Collection:

Record Group: Bush Presidential Records

Office: National Security Council

Series: H-Files

Subseries: NSR Files

WHORM Cat.:

File Location: NSR-8 - February 22, 1989 - U.S. Policy Toward South Asia

Date Closed: 7/2/2010	OA/ID Number: 90006-011
FOIA/SYS Case #: 2010-1905-S	Appeal Case #:
Re-review Case #:	Appeal Disposition:
P-2/P-5 Review Case #:	Disposition Date:
AR Case #:	MR Case #:
AR Disposition:	MR Disposition:
AR Disposition Date:	MR Disposition Date:

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-3 Release would violate a Federal statute [(a)(3) of the PRA]
P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
(b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
(b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
(b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
(b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

**National Security Council
The White House**

89 FEB 21 A 8: 46

LOG # 20044
SYSTEM PRS NSC INT
DOCLOG AC A/O _____

	SEQUENCE TO	HAS SEEN	DISPOSITION
Bob Perito	<u>6</u>	<u></u>	<u>A</u>
Philip Hughes	<u>7</u>	<u>[Signature]</u>	<u></u>
Bob Gates	<u>8</u>	<u>[Signature]</u>	<u></u>
Brent Scowcroft	<u>9</u>	<u>[Signature]</u>	<u></u>
Philip Hughes	<u></u>	<u></u>	<u></u>
Situation Room	<u></u>	<u></u>	<u></u>
West Wing Desk	<u>10</u>	<u>CM 2/24</u>	<u>D</u>
NSC Secretariat	<u></u>	<u></u>	<u></u>
<u></u>	<u></u>	<u></u>	<u></u>
<u></u>	<u></u>	<u></u>	<u></u>

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cc: VP Sununu Other _____

COMMENTS

Should be seen by: _____

(Date/Time)

NSR - South Asia

ACTIONS TAKEN ON AIR FORCE ONE EN ROUTE TO ALASKA 2-22-89

#30055 - NSD on Panama Elections - Scowcroft signed memo to President dated 2-21-89; President signed NSD -- I will FAX a copy of the signed NSD - It has not been dated.

#30054 - Panama Finding - President signed Finding at Tab A -- I will FAX a copy of the signed Finding. NOTE: It has not been dated.

#20044 - NSR on South Asia - President signed the NSR at Tab A -- I will FAX a copy. NOTE: It has not been dated.

National Security Council
The White House
89 FEB 14 P 9: 19

LOG #		SYSTEM		GCF		INT		DOCLOG		A/O	
20044		20044		20044		20044		20044		20044	
SEQUENCE TO	HAS SEEN	DISPOSITION									
Dep Exec Sec	2	A									
Exec Sec	3										
Bob Gates											
Brent Scowcroft											
Exec Sec											
Situation Room											
West Wing Desk											
NSC Secretariat											
THRS											

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VP	Sununu	Other		

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~~SECRET~~

~~SECRET~~

20044

THE WHITE HOUSE

WASHINGTON

1989 FEB 21 PM 8:40

February 21, 1989

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: BRENT SCOWCROFT

SUBJECT: U.S. Policy Toward South Asia

SIGNED

Issue

Whether to sign the National Security Review (NSR) on U.S. policy toward South Asia.

Background

In the wake of the Soviet pull-out from Afghanistan and amidst mounting congressional concerns over Pakistan's apparent efforts to develop a nuclear explosive, it is important that we undertake a comprehensive review of our approach to South Asia. The attached NSR calls for a thorough assessment of the situation we inherit and sets out specific questions, the answers to which would provide the basis for recommendations for policy. The Policy Coordinating Committee (PCC) review would be completed before the end of March, sufficiently early so that we can go ahead and make specific decisions affecting hi-tech exports to India and deal with Pakistan on the nuclear issue.

Recommendation

That you sign the NSR at Tab A.

Prepared by: Richard N. Haass

Attachment

Tab A

Proposed NSR

cc: Vice President
Chief of Staff

~~SECRET~~

Declassify on: OADR

DECLASSIFIED
PER E.O. 13526

2007-0787-MM
7/24/2012 MM

~~SECRET~~

~~SECRET~~~~SECRET~~

20044

THE WHITE HOUSE
WASHINGTON

February 22, 1989

NATIONAL SECURITY REVIEW 8DECLASSIFIED
PER E.O. 135262007-0787-MR
7/24/2012 MM

MEMORANDUM FOR THE VICE PRESIDENT
THE SECRETARY OF STATE
THE SECRETARY OF DEFENSE
THE DIRECTOR OF CENTRAL INTELLIGENCE
ASSISTANT TO THE PRESIDENT FOR
NATIONAL SECURITY AFFAIRS
CHAIRMAN, JOINT CHIEFS OF STAFF

SUBJECT: U.S. Policy Toward South Asia (S)

The changing situation in Afghanistan and our continuing stake in South Asian stability require that we undertake a comprehensive review of U.S. policy toward South Asia, with a principal focus upon U.S. relations with India and Pakistan. (S)

The review should be completed not later than March 24, 1989. It should include clear policy options/recommendations. Any differences in views between agencies should be noted. At a minimum, the review should address the following questions and issues:

PART I: ASSESSMENT

- What are the prospects for internal stability within India and Pakistan? Similarly, what are the prospects for democracy and economic growth? (S)
- What are U.S. interests in South Asia? How does the Soviet withdrawal from Afghanistan affect these, especially in Pakistan? (S)
- What can be anticipated from India in terms of its regional diplomacy? What military intervention can be anticipated? How will this affect U.S. interests? (S)
- How do we expect Pakistan to view its relationship with the United States in the post-Zia era and in the wake of the withdrawal of Soviet troops from Afghanistan? What requests are likely to be made for security assistance? What are the implications of approving or rejecting requests for assistance or advanced weapons sales? (S)

~~SECRET~~

Declassify on: OADR

~~SECRET~~

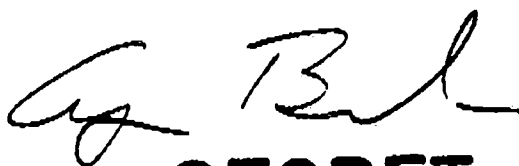
~~SECRET~~~~SECRET~~

2

- What is the status of the Indian and Pakistani nuclear and ballistic missile programs? What are the likely consequences for regional stability? What would be the consequences for our relationship with Pakistan, our relationship with India, and their relationship with one another of a failure on our part to certify Pakistan's eligibility to receive U.S. security assistance owing to non-proliferation concerns? (S)
- What are the prospects for improved Indo-Pakistani relations? What developments within each country and within the region are most likely to affect their relationship? (S)
- What are Soviet and Chinese interests in the region? How can they be expected to promote them? How do we expect the Soviet-Pakistani relationship to develop now that Soviet troops are out of Afghanistan? How do we think the Soviet-Indian relationship will be affected by improvements in Sino-Soviet relations? (S)

PART II: OPTIONS FOR POLICY

- What can and should the United States do to promote internal stability within India and Pakistan? What can we do to strengthen democracy and support economic growth? (S)
- What can the United States do to affect Indian foreign and defense policy? What should be U.S. policy regarding Indian requests for the transfer of high-technology? (S)
- What should be U.S. policy towards likely Pakistani requests for security assistance? What other means do we have to promote our objectives in Pakistan? What in particular can we do to shape Pakistani attitudes toward proceeding with a nuclear weapons option for itself? (S)
- What can the United States do to promote a better relationship between India and Pakistan? What can the United States do to enhance regional stability, both with regard to the nuclear dimension of Indo-Pakistani relations and more generally? (S)
- What if anything should the United States do to affect Soviet and Chinese behavior toward South Asia or the behavior of regional states toward both? (S)
- What should be U.S. policy toward the other states of South Asia? (S)

~~SECRET~~~~SECRET~~

~~SECRET~~

~~CONFIDENTIAL WITH~~
~~SECRET ATTACHMENT~~

20044

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

February 21, 1989

ACTION

MEMORANDUM FOR BRENT SCOWCROFT

FROM: RICHARD N. HAASS *RB*

SUBJECT: Proposed National Security Review (NSR) of U.S.
Policy Toward South Asia

At Tab I is a cover memo from you to the President recommending that he sign out the attached memo calling for an interagency review of our policy towards South Asia. I have cleared the Terms of Reference on an informal basis with appropriate representatives of the State and Defense Departments. So that work could commence, it would be best if the NSR could be signed out by the President before he takes off for Tokyo.

Nicholas Rostow *NR* (who has coordinated the NSR with Boyden Gray), Bob Blackwill *BB*, Nancy Menan *NM* and Peter Rodman *PR* concur.

RECOMMENDATION

That you sign out the memorandum to the President covering a proposed NSR calling for a completed PCC study by March 24.

Approve ☒ _____

Disapprove _____

Attachments

Tab I Scowcroft Memo to the President
Tab A Proposed NSR

~~CONFIDENTIAL WITH~~
~~SECRET ATTACHMENT~~

Declassify on: OADR

DECLASSIFIED
PER E.O. 13526

2007-0787-MR
7/24/2012 MM

~~SECRET~~

National Security Council
The White House

89 FEB 14 9:19

LOG # 20044
SYSTEM GCF INT
DOCLOG A/O

	SEQUENCE TO	HAS SEEN	DISPOSITION
Dep Exec Sec	<u>2</u>	<u>RP</u>	<u>A</u>
Exec Sec	<u>2</u>	<u>SPB</u>	
Bob Gates	<u>3</u>	<u>see notes</u>	
Brent Scowcroft	<u>~~4~~</u>		
Exec Sec			
Situation Room			
West Wing Desk	<u>4</u>	<u>227.420</u>	<u>A</u>
NSC Secretariat			
<u>HAPS</u>	<u>5</u>		<u>REVISI-</u>

A = Action I = Information D = Dispatch R = Retain N = No further Action

cc: VP Sununu Other _____

COMMENTS

Should be seen by: _____
(Date/Time)

~~CONFIDENTIAL WITH~~
~~SECRET ATTACHMENT~~

20044

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20508

February 17, 1989

ACTION

MEMORANDUM FOR BRENT SCOWCROFT

FROM: RICHARD N. HAASS 

SUBJECT: Proposed National Security Review (NSR) of U.S.
Policy Toward South Asia

At Tab I is a cover memo from you to the President recommending that he sign out the attached memo calling for an interagency review of our policy towards South Asia. I have cleared the Terms of Reference on an informal basis with appropriate representatives of the State and Defense Departments. So that work could commence, it would be best if the NSR could be signed out by the President before he takes off for Tokyo.

Nicholas Rostow ^{NR} (who has coordinated the NSR with Boyden Gray),
Bob Blackwill ^{BB}, Nancy Menan ^{NM} and Peter Rodman ^{PR} concur.

RECOMMENDATION

That you sign out the memorandum to the President covering a proposed NSR calling for a completed PCC study by March 24.

Approve _____ Disapprove _____

Attachments

Tab I Scowcroft Memo to the President
Tab A Proposed NSR

~~CONFIDENTIAL WITH~~
~~SECRET ATTACHMENT~~

Declassify on: OADR

DECLASSIFIED
PER E.O. 13526

2007-0787-MR
7/24/2012 MM

THE WHITE HOUSE

WASHINGTON

DECLASSIFIED
PER E.O. 135262007-0787-MR
7/24/2012 MM

MEMORANDUM FOR THE VICE PRESIDENT
THE SECRETARY OF STATE
THE SECRETARY OF DEFENSE
THE DIRECTOR OF CENTRAL INTELLIGENCE
ASSISTANT TO THE PRESIDENT FOR
NATIONAL SECURITY AFFAIRS
CHAIRMAN, JOINT CHIEFS OF STAFF

SUBJECT: U.S. Policy Toward South Asia (C)

The changing situation in Afghanistan and our continuing stake in South Asian stability require that we undertake a comprehensive review of U.S. policy toward South Asia, with a principal focus upon U.S. relations with India and Pakistan. (C)

The review should be completed ^{options/re} not later than March 24, 1989. It should include clear policy recommendations. Any differences in views between agencies should be noted. At a minimum, the review should address the following questions and issues:

PART I: ASSESSMENT

- What are the prospects for internal stability within India and Pakistan? Similarly, what are the prospects for democracy and economic growth? (C)
- What are U.S. interests in South Asia? How does the Soviet withdrawal from Afghanistan affect these, especially in Pakistan? (C)
- What can be anticipated from India in terms of its regional diplomacy? What military intervention can be anticipated? How will this affect U.S. interests? (S)
- How do we expect Pakistan to view its relationship with the United States in the post-Zia era and in the wake of the withdrawal of Soviet troops from Afghanistan? What requests are likely to be made ^{for} affecting security assistance? What are the implications of approving or rejecting requests for assistance or advanced weapons sales? (S)

~~SECRET~~

Declassify on: OADR

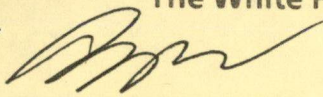
- What is the status of the Indian and Pakistani nuclear and ballistic missile programs? What are the likely consequences for regional stability? What would be the consequences for our relationship with Pakistan, our relationship with India, and their relationship with one another of a failure on our part to certify Pakistan's eligibility to receive U.S. security assistance owing to non-proliferation concerns? (S)
- What are the prospects for improved Indo-Pakistani relations? What developments within each country and within the region are most likely to affect their relationship? (S)
- What are Soviet and Chinese interests in the region? How can they be expected to promote them? How do we expect the Soviet-Pakistani relationship to develop now that Soviet troops are out of Afghanistan? How do we think the Soviet-Indian relationship will be affected by improvements in Sino-Soviet relations? (S)

Options

PART II: ~~RECOMMENDATIONS~~ FOR POLICY

- What can and should the United States do to promote internal stability within India and Pakistan? What can we do to strengthen democracy and support economic growth? (S)
- What can the United States do to affect Indian foreign and defense policy? What should be U.S. policy regarding Indian requests for the transfer of high-technology? (S)
- What should be U.S. policy towards likely Pakistani requests for security assistance? What other means do we have to promote our objectives in Pakistan? What in particular can we do to shape Pakistani attitudes toward proceeding with a nuclear weapons option for itself? (S)
- What can the United States do to promote a better relationship between India and Pakistan? What can the United States do to enhance regional stability, both with regard to the nuclear dimension of Indo-Pakistani relations and more generally? (S)
- What if anything should the United States do to affect Soviet and Chinese behavior toward South Asia or the behavior of regional states toward both? (S)
- What should be U.S. policy toward the other states of South Asia? (S)

**National Security Council
The White House**

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SEQUENCE TO

HAS SEEN

DISPOSITION

Bob Perito

1

MD

A

Philip Hughes

Bob Gates

Brent Scowcroft

Philip Hughes

Situation Room

West Wing Desk

NSC Secretariat

2

27.4/6

~~D~~

A = Action

I = Information

D = Dispatch

R = Retain

N = No further Action

cc: VP

Sununu

Other

COMMENTS

Should be seen by: _____

(Date/Time)

Per Hughes

NATIONAL SECURITY COUNCIL DISTRIBUTION RECORD

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Date 6 APRIL 1989

Subject: NSR 8

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Room 5933/Dept. of State
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SYSTEM (NCS), Room 4125
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THE SECRETARY OF HHS
200 Independence Avenue, NW, Room 615F
THE SECRETARY OF HUD
451 7th Street SW, Room 10000
THE SECRETARY OF EDUCATION
400 Maryland Avenue, SW, Room 4181

#14

4/6/89

2312

Alvin [Signature]

DATE, TIME & SIGN THIS RECEIPT & RETURN TO: WEST WING DESK, SITUATION ROOM, WHITE HOUSE

Page 1 of ____ Pages

~~SECRET~~

20044

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

UNCLASSIFIED
w/SECRET ATTACHMENT

April 6, 1989

MEMORANDUM FOR ROBERTA RIFKIN
Executive Secretary
Arms Control and Disarmament Agency

SUBJECT: NSR-8 (U)

Attached per our discussion is a copy of NSR-8. (U)

M. Doulay
for G. Philip Hughes
Executive Secretary

DECLASSIFIED
White House Guidelines
E.O. 12958, SEC 3.4 (B), September 11, 2006
By CAF NARA, Date 7/2/10

Attachment
As stated

UNCLASSIFIED
w/SECRET ATTACHMENT

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~~SECRET~~

No. NSR 8

COPY #14 (ACDA)

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Your signature acknowledges you are such a person and you promise you will show or discuss information contained in the document only with persons who are authorized by law to have access to this document.

Persons handling this document acknowledge he or she knows and understands the security law relating thereto and will cooperate fully with any lawful investigation by the United States Government into any unauthorized disclosure of classified information contained herein.

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ATTACHMENTS

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7/2/10

NATIONAL SECURITY COUNCIL DISTRIBUTION RECORD

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Date 1 May 1989

Subject: NSD 8

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THE SECRETARY OF DEFENSE The Pentagon	#4			
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CHAIRMAN US START DELEGATION % ACDA, 5933 State				
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UNITED STATES TRADE REPRESENTATIVE Room 209 Winder Bldg. 17 & F St. NW				
THE DIRECTOR, FEMA 1500 C Street, Room 828				
DIRECTOR, DMSPA Room 3E813, Pentagon				
THE SECRETARY OF TRANSPORTATION 400 7th Street S.W.				
MANAGER, NATL COMMUNICATIONS SYSTEM (NCS), Room 4125 8th & SO Courthouse Rd., Arlington, VA				
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THE SECRETARY OF HUD 451 7th Street SW, Room 10000				
THE SECRETARY OF EDUCATION 400 Maryland Avenue, SW, Room 4181				

DATE, TIME & SIGN THIS RECEIPT & RETURN TO: WEST WING DESK, SITUATION ROOM, WHITE HOUSE

Page 1 of ____ Pages

89 MAY 8 P 3: 12

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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
05a. Report	Re: National Security Review #8 - South Asia [FOIA RESTRICTIONS REDACTED] (24 pp.)	n.d.	(b)(1)	S

Collection:

Record Group: Bush Presidential Records

Office: National Security Council

Series: H-Files

Subseries: NSR Files

WHORM Cat.:

File Location: NSR-8 - February 22, 1989 - U.S. Policy Toward South Asia

**Document Partially Declassified
(Copy of Document Follows)**

By MM on 4/4/2016

Date Closed: 7/2/2010	OA/ID Number: 90006-011
FOIA/SYS Case #: 2010-1905-S	Appeal Case #:
Re-review Case #:	Appeal Disposition:
P-2/P-5 Review Case #:	Disposition Date:
AR Case #:	MR Case #: 2007-0787-MR(515)
AR Disposition:	MR Disposition: Released in Part
AR Disposition Date:	MR Disposition Date: 7/24/2012

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

Freedom of Information Act - [5 U.S.C. 552(b)]

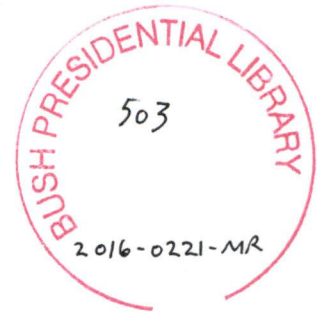
P-1 National Security Classified Information [(a)(1) of the PRA]
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-3 Release would violate a Federal statute [(a)(3) of the PRA]
P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM...Removed as a personal record misfile.

(b)(1) National security classified information [(b)(1) of the FOIA]
(b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
(b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
(b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
(b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

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NATIONAL SECURITY REVIEW # 8 - SOUTH ASIA

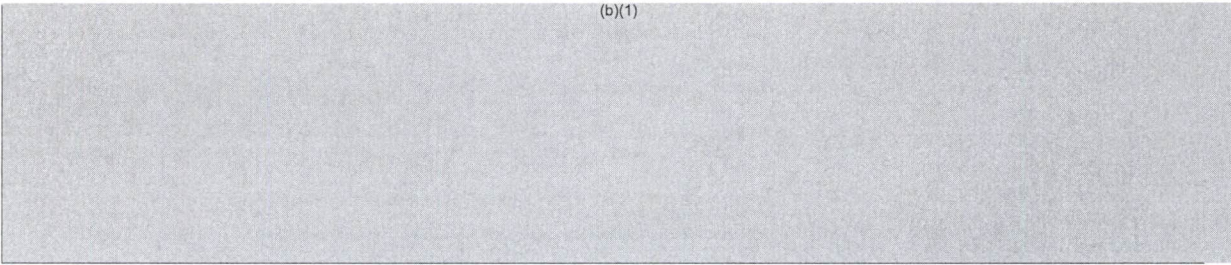
PART I: ASSESSMENT

U.S. Interests in South Asia

The key U.S. interest in South Asia is regional stability, for its own sake, as a bulwark against Soviet influence and expansion, and as a condition necessary for economic, social and political development. This stability depends largely on relations between and within the two larger countries in the area, India and Pakistan. It can also be affected by their relations with the major powers and by developments in the smaller regional countries and in those nations' relationships with India.

Major U.S. objectives include reducing the influence of the Soviet Union in the region, preventing the proliferation of nuclear weapons and missiles, and stemming the flow of narcotics from the region. Other U.S. interests in South Asia reflect our general Third World objectives: promotion of human rights, representative institutions and economic development. The region's abysmally low living standards make the last objective particularly important.

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Current U.S. Policy

Since 1979 our objective of expelling the Soviets from neighboring Afghanistan has largely shaped our policy agenda toward South Asia. As set forth in NSDD 147 of October 11, 1984, this policy has been to improve relations with both India and Pakistan and to encourage Sino-Indian rapprochement in order to "undermine Moscow's subjugation of Afghanistan and weaken Soviet influence in the Subcontinent."

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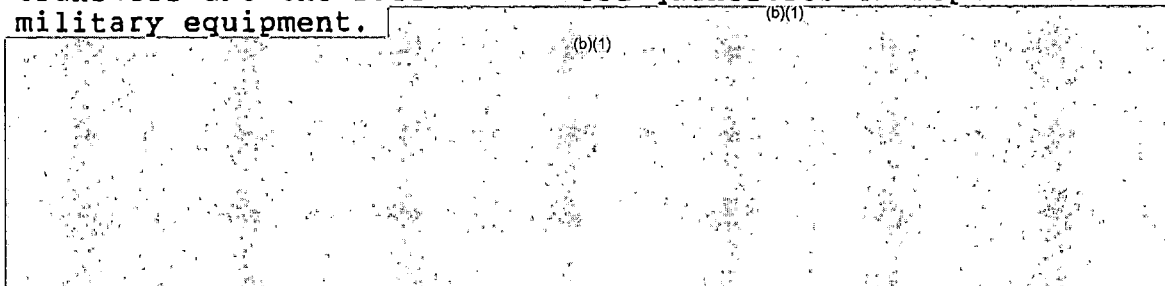
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In the last decade, we have looked to Pakistan as indispensable to our goal of restoring a non-aligned, independent, and politically stable Afghanistan. We have recognized that in order for Pakistan to be able to play a helpful role on Afghanistan and in other areas in Southwest Asia, it required self-confidence and strength. This heightened our interest in Pakistan's overall security (i.e. vis-a-vis India) as well as in its economic well-being.

To enable Pakistan to play its critical role on Afghanistan, the Reagan Administration rebuilt a close diplomatic and security relationship with the GOP anchored initially on a multiyear economic and security assistance agreement signed in 1981. In 1986, the U.S. and Pakistan agreed to a follow-on, 6-year, \$4.02 billion program, divided roughly 43-57 percent between military and economic assistance.

The U.S. has sought to improve relations with India through such measures as increased trade and investment, high-tech transfers and the sale of limited quantities of sophisticated military equipment.



These policies were remarkably successful. Relations have improved with both India and Pakistan. The Soviets have left Afghanistan. We are now at a turning point, where it is appropriate to examine future policy directions. But our ability to develop policy options for South Asia is severely constrained by U.S. law. Legislation on nuclear non-proliferation vis-a-vis Pakistan and the implications for India of legislation on intellectual property rights both have to be factored into consideration of our policy.

Strategic Environment

After nearly a decade, the Soviets have withdrawn from Afghanistan and the fall of the puppet regime they left behind is only matter of time. In Pakistan democratic institutions function after the first credible elections since 1970. Fresh efforts to normalize Sino-Indian and Indo-Pakistani relations have been dramatized by the December visits of Rajiv Gandhi to

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Beijing and Islamabad, the first official journeys of an Indian Prime Minister to the PRC and Pakistan in decades. But the fundamental mistrust that has characterized Indo-Pakistani relations since the 1947 partition still shapes the regional political climate. And the threat of nuclear weapon/missile proliferation on the Subcontinent remains a preeminent concern.

In terms of size, population, industrial strength and military capability, India far outweighs its neighbors. India commands roughly a 2:1 advantage in manpower and major conventional combat equipment over Pakistan, and this margin is growing. In the wider regional context, India is now the preeminent regional naval power in the Indian Ocean littoral. New Delhi's ability to project power in the region, while presently modest, will have to be taken into increasing account by military planners.

The Soviets and South Asia. While Soviet withdrawal removes Soviet troops one step farther from South Asia, Moscow maintains significant military forces bordering the volatile neighboring countries of Iran and Afghanistan. The Soviet Union's long-term objective in South Asia itself is enhanced political and economic influence. For over three decades, it has relied on close ties with India as the cornerstone of its South Asian policy.

Soviet withdrawal may lead to a modest growth of Soviet influence in Pakistan as the Soviets seek to improve bilateral ties (already evident in Shevardnadze's February visit to Islamabad). These efforts are likely to be constrained by Moscow's continuing interest in not jeopardizing its close ties with India and by economic stringencies that will limit its ability to become a major donor to Pakistan. For its part, Pakistan will be interested in some improvement in bilateral ties.

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Prospects for Internal Stability in India and Pakistan: The prognosis for internal stability in India is good. Ethnic,

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religious, and community unrest and separatism pose continuing problems for India's security forces but do not threaten the integrity of the nation or its commitment to democracy. Although terrorism in the Punjab remains an acute problem, it does not appear to pose a serious threat to national stability.

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Prime Minister Gandhi's economic liberalization combined with strong agricultural performance bodes well for economic growth, but India's long-term economic prospects remain clouded by nagging structural problems, bureaucratic inefficiencies, and trade deficits. Nonetheless, with projected continued high economic growth rates for 1989, we doubt economic conditions will seriously threaten the political system, although election prospects for the Gandhi government are unclear.

We believe Pakistan's democratic experiment has a better than even chance of surviving through the remainder of the year. Pakistan's new government faces tough issues, including implementing unpopular austerity measures, managing the post-Soviet withdrawal phase, and limiting ethnic and sectarian polarization. If these or other issues should lead to prolonged violent civil disturbance, the Army would feel compelled to intervene.

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Prospects for economic growth in Pakistan are good, if the Bhutto government implements most of the reforms required by its recently signed structural adjustment program with the IMF. Even if Islamabad sticks with the program, however, the rate of annual GNP growth during the next several years will probably not reach the 6.8 percent it averaged during the last decade. Pakistan's debt service ratio at close to 30% constitutes an economic burden but has not reached crisis proportions.

Regional Diplomacy: India's diplomacy is directed at achieving regional preeminence and promoting stability in South Asia on its own terms. These goals have served a succession of Indian leaders and, allowing for differences of tone, will probably

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remain in force for the foreseeable future.

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Nuclear/Missile Proliferation: India tested a nuclear device fifteen years ago. Both India and Pakistan are capable of building nuclear weapons and probably could produce nuclear explosive devices--though not necessarily deliverable nuclear weapons--within a few weeks of a political decision to proceed. New Delhi is developing short-range and medium-range ballistic missiles that may be operational by 1991 and 1993 respectively. Islamabad test-launched two short-range unguided ballistic missiles early this year and hopes to deploy one configuration within the next year or two,

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The effort to encourage a political solution to the South Asia nuclear problem is locked in a stalemate. Pakistan has stated it will not abandon its nuclear weapons option unless India does, but India insists that progress on South Asia must be linked to global disarmament.

Neither country is likely to forswear the option of developing nuclear weapons, and the nuclear issue will remain a major potential threat to regional stability. So far, however, both have refrained from overt deployment of nuclear weapons. It is unlikely that the development of nuclear weapons by India or Pakistan would lessen either's desire for sophisticated conventional weapons. Deployment of missiles by either country would accelerate the arms race on the Subcontinent, and could prove more destabilizing than their nuclear programs.

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PART II: POLICY OPTIONS

US POLICY TOWARD SOUTH ASIA

Historical Assessment: U.S.-Indian relations have undergone sizeable changes over the past four decades. India's prickly insistence on a non-aligned foreign policy which has often tilted toward the Soviets and its efforts to exclude great power influence from a region where it sought predominance have been problems for us. At the same time, we have provided major economic assistance to India (now much reduced) and have welcomed India's success in maintaining its democratic institutions. (b)(1)

In our Dullesian search for allies against monolithic communism, the U.S. discovered and courted Pakistan in the early and mid-50's. Pakistan became a member of CENTO and SEATO. We believed that we were forming an alliance against the Soviets and the Chinese. Pakistan saw the relationship in the context of its longtime search for security against India. The incompatibility of these objectives was demonstrated in 1965 when the United States withheld military supplies from Pakistan in its war with India. From 1965 until 1981, U.S. relations with Pakistan fluctuated, reaching a low point when the U.S. cut off assistance in 1979 in reaction to Pakistan's nuclear policy.

India has played a leadership role in the Non-Aligned Movement; Pakistan has played a leading role in the Islamic world, in which it was the largest state until its east wing became Bangladesh in 1971. The U.S. has sought to play a peacemaker's role in South Asia-- (b)(1)
(b)(1) --with limited success. The Soviets mediated the end to the 1965 war but, by the obvious pro-India tilt of their subsequent policy, lost the advantage they had gained. (b)(1)

(b)(1) U.S. interests and involvement in South Asia after 1965 remained limited until the Soviet invasion of Afghanistan.

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Level of US. Involvement in South Asia

In the wake of the Soviet withdrawal from Afghanistan, the first question for U.S. policy is whether we are to return to the modest role of the late 1960's and 1970's or to seek to maintain or expand U.S. influence and involvement in South Asia.

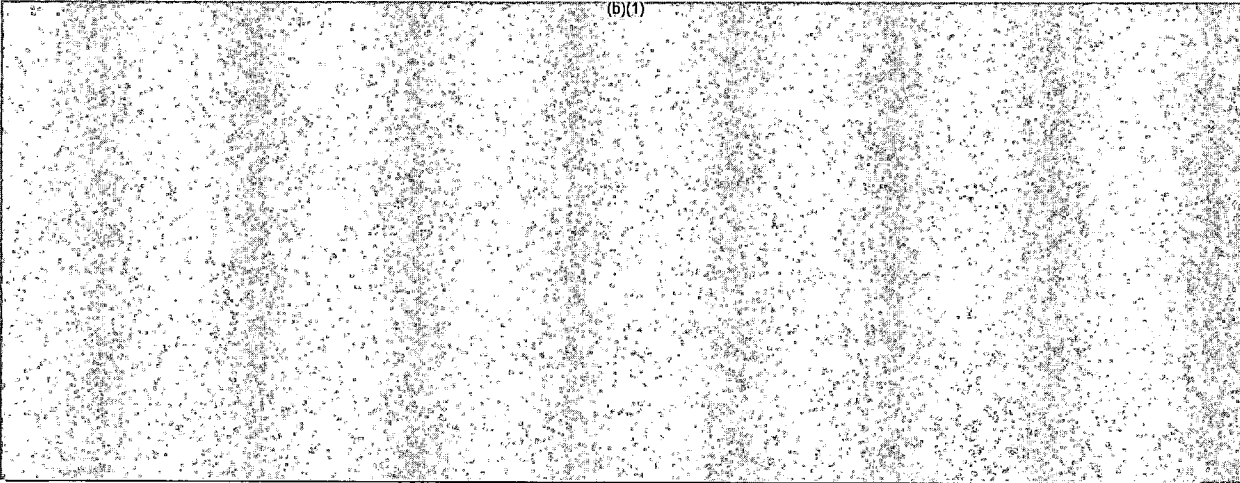
Option 1: Sustain current level of US political and security involvement in the Subcontinent.

This would mean continuation of economic and military assistance and of our effort to influence the policies of the South Asian states on issues of concern to us. This approach presupposes that we continue to have substantial interests in the region, spelled out above, which justify the substantial outlay of resources involved. The only apparent disadvantage is the cost in terms of U.S. economic and diplomatic investment in the region, relative to potentially more important U.S. interests elsewhere.

Option 2: Reduce our involvement and exposure in South Asia

It can be argued that the limited 1965-80 U.S. commitment was enough to support our interests in the area, absent an immediate Soviet encroachment. Cutting back our diplomatic involvement in and economic assistance to the area would obviously reduce our ability to pursue our goals there, including nuclear/missile non-proliferation and narcotics suppression. It would also enable the Soviets to increase their influence. On the other hand, the resources that now go to South Asia could be used to support US interests in possibly more critical parts of the world.

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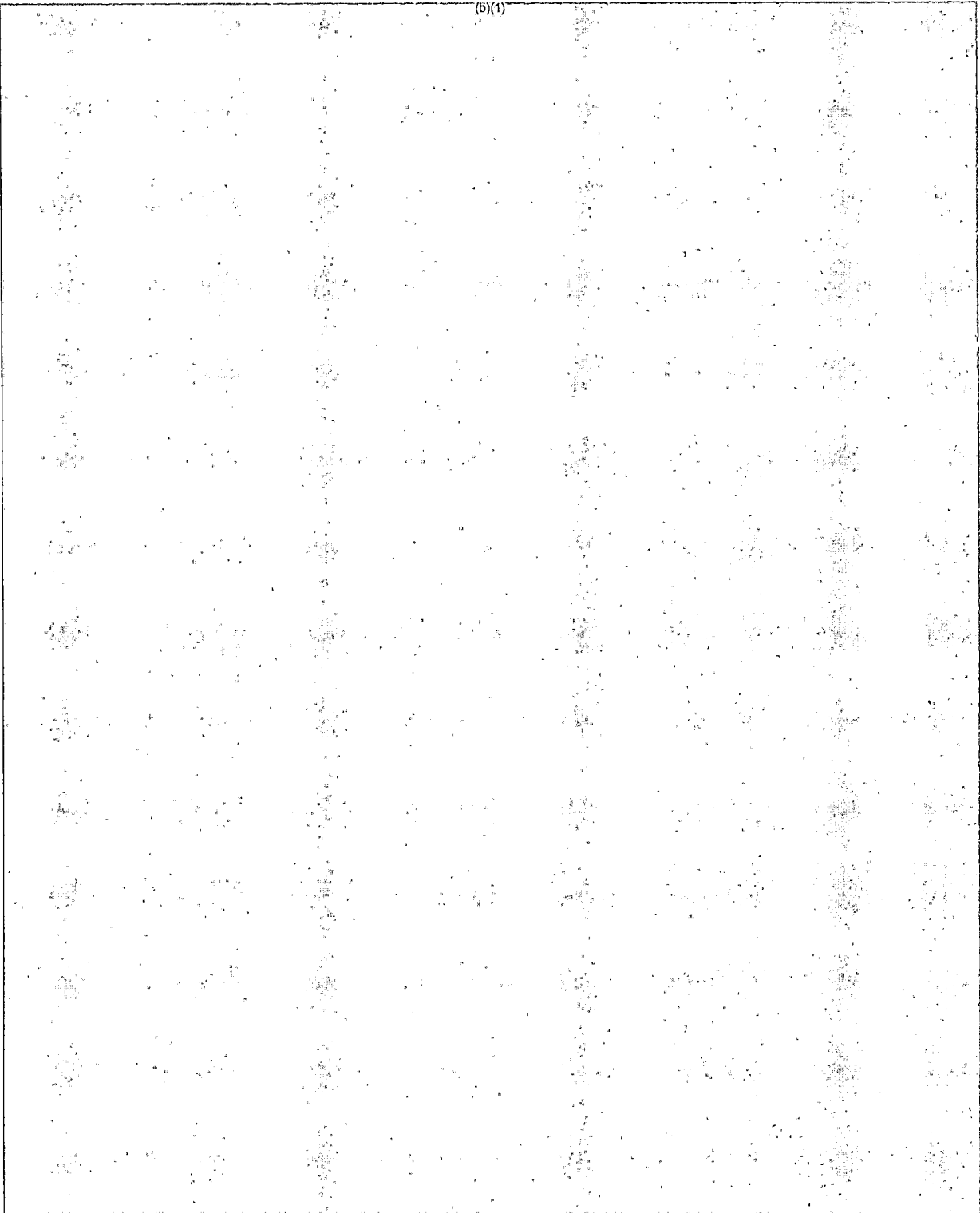


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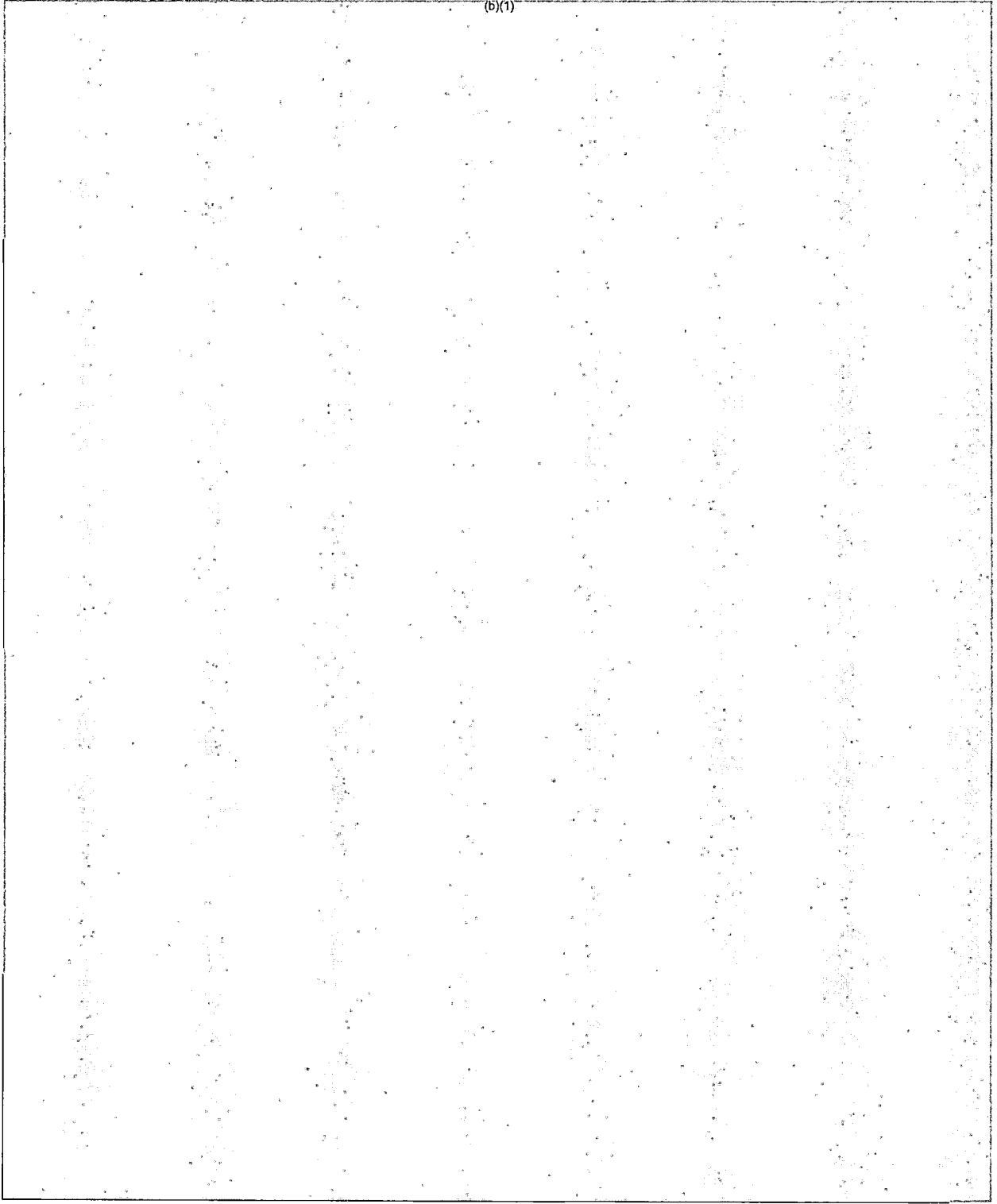


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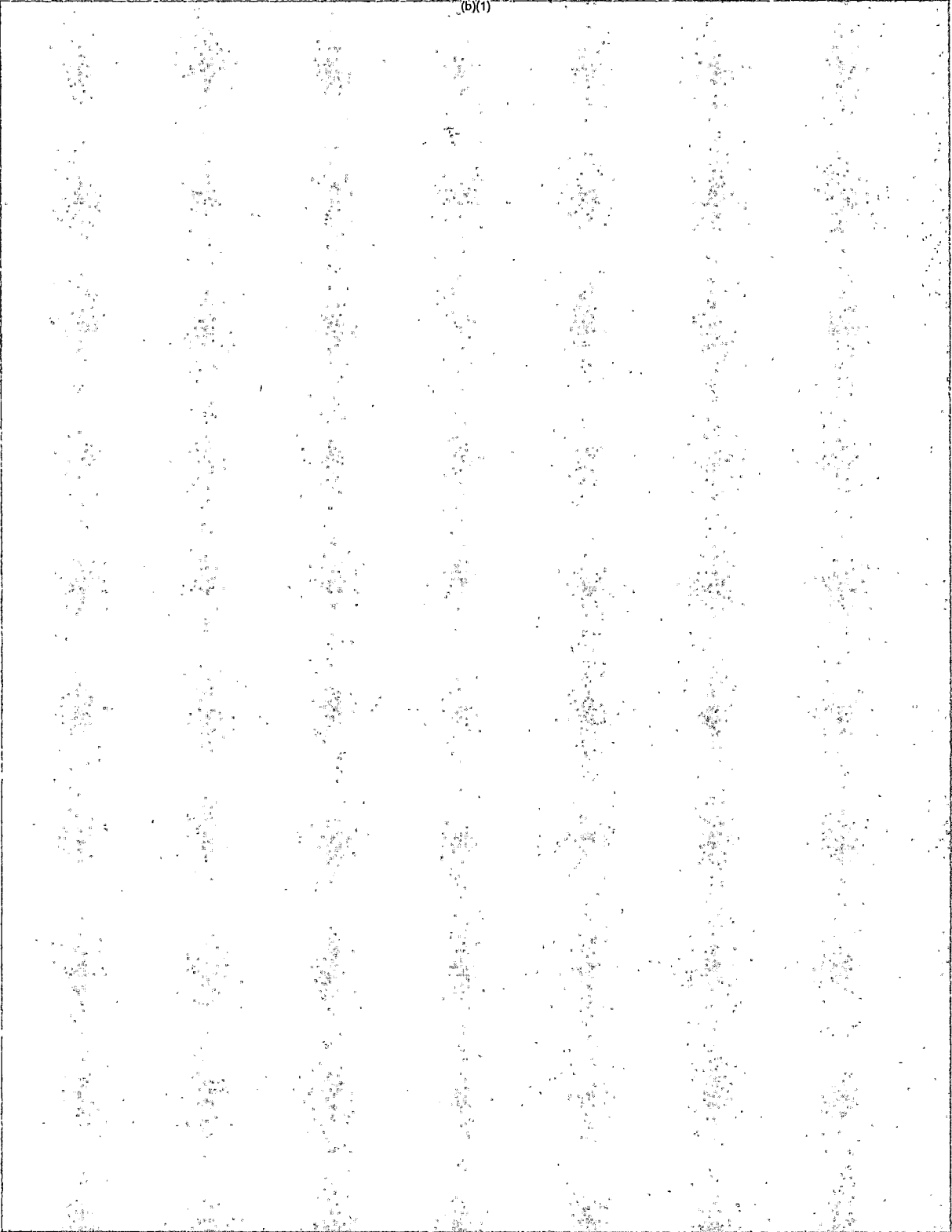
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Key constraint: The Pressler Amendment to the Foreign Assistance Act prohibits most types of economic and military assistance as well as military sales and transfers to Pakistan until the President certifies each fiscal year that Pakistan "does not possess a nuclear explosive device and that the proposed U.S. assistance program will reduce significantly the risk that Pakistan will possess" such a device. After making the certification for FY 89, President Reagan informed President Ghulam Ishaq Khan that "while I am able to certify for the current fiscal year, I must tell you candidly that if present trends continue and Pakistan does not take effective action to restrain its nuclear program, future certifications will be impossible." Thus, in assessing the following options, it should be kept in mind that they will become largely irrelevant if Pakistan fails to take the necessary steps to assure that the President will be able to certify for FY 90.

Inability to grant Pressler certification would (b)(1) lead to the termination of all assistance as well as military sales and transfers to Pakistan, thereby crippling U.S.-Pakistan relations. (b)(1)

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U.S. legislation also requires that Pakistan be certified annually as "fully cooperating" with us on narcotics suppression efforts in order to receive U.S. assistance. It is likely that Pakistan will continue to meet the criteria for that certification.

Option 1: Continue close diplomatic and security relationship; maintain current levels of support.

Under this option the US would continue its close diplomatic relationship with Pakistan and seek to provide the annual levels of assistance agreed to in the six-year assistance agreement signed in 1986 for FY88-93 (originally \$290 million in military assistance, \$380 million in economic assistance). Diplomatic initiatives would include high-level

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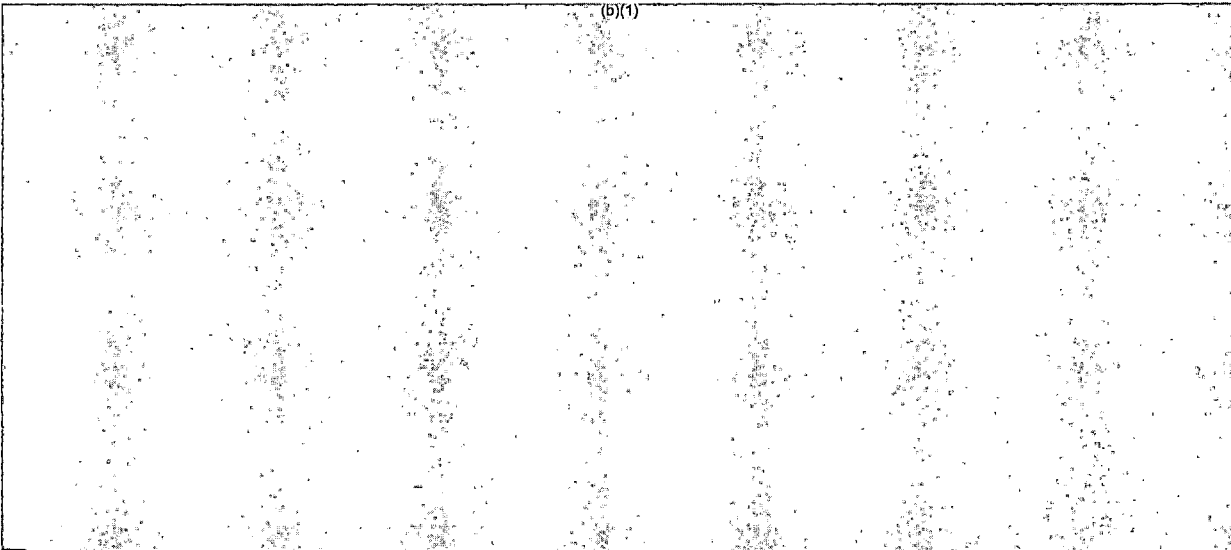
visits by government and military leaders on both sides. We would seek other ways to promote cooperation, such as a science and technology program (if funds can be identified).

Pakistan's strategic location on the southern flank of the Soviet Union and the approaches to the Persian Gulf, an uncertain, volatile area highly important to the US, and its proven willingness to act as a bulwark against Soviet expansion argue in favor of this option. Continued US support is necessary if Pakistan is to play this role.

We intend to continue to support the Afghan resistance until the Najib regime falls, and to keep on providing humanitarian assistance to Afghans thereafter. In delivering aid across the border, we will need the GOP's continued full cooperation which can best be assured by maintaining our strong ties with Pakistan.

Continuing assistance to Pakistan also promotes the further development of the country's newly established and still fragile democratic political institutions. A democratic regime in Pakistan is important to Indo-Pakistan rapprochement and therefore to the achievement of regional stability and other U.S. objectives in the region. Our assistance promotes economic development, which also encourages stability. Within the framework of continued economic and military assistance, the U.S. would have the influence to pursue its objective of strengthening democratic institutions. Continued assistance also gives us leverage to press for economic deregulation and reforms that enhance prospects for U.S. trade and investment.

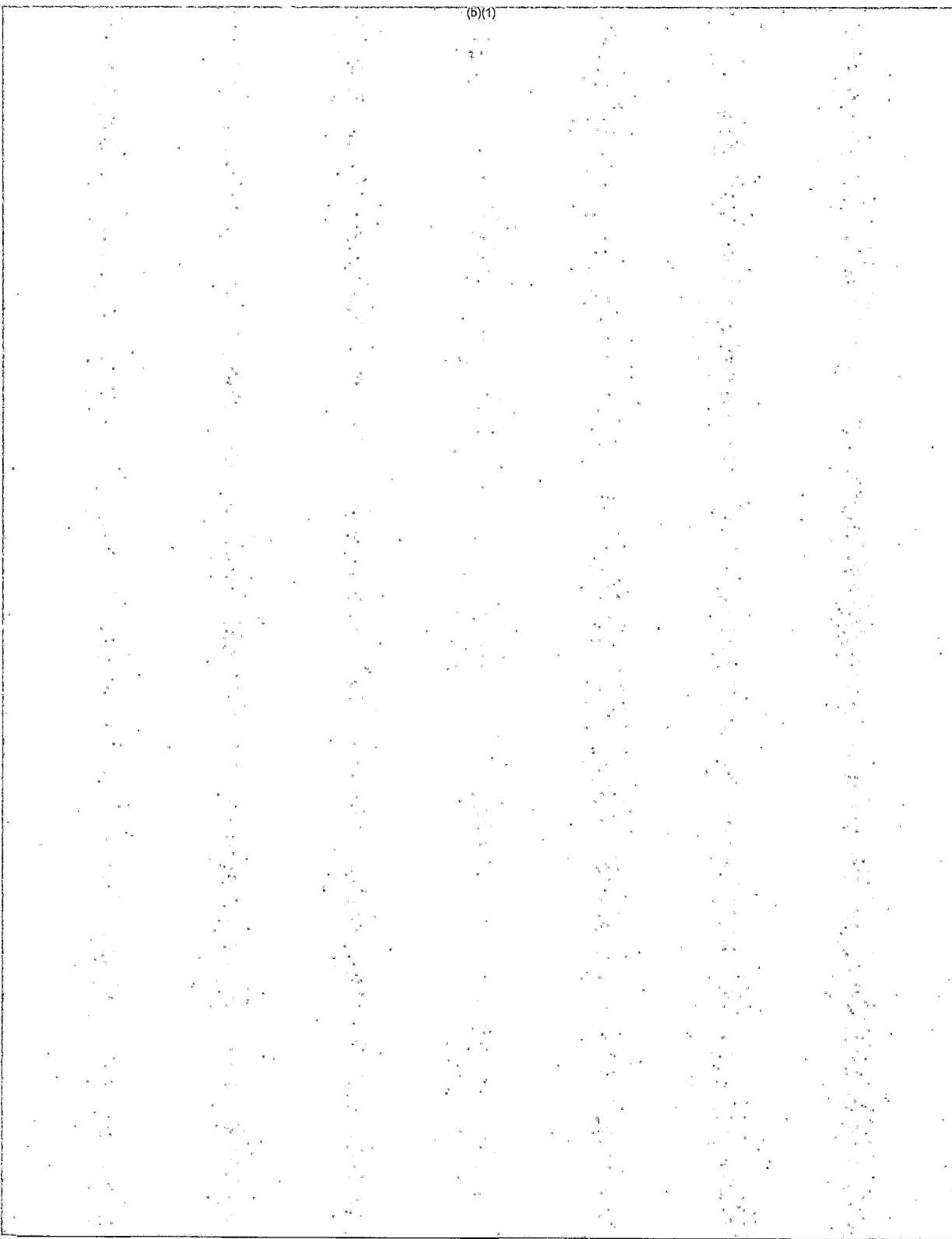
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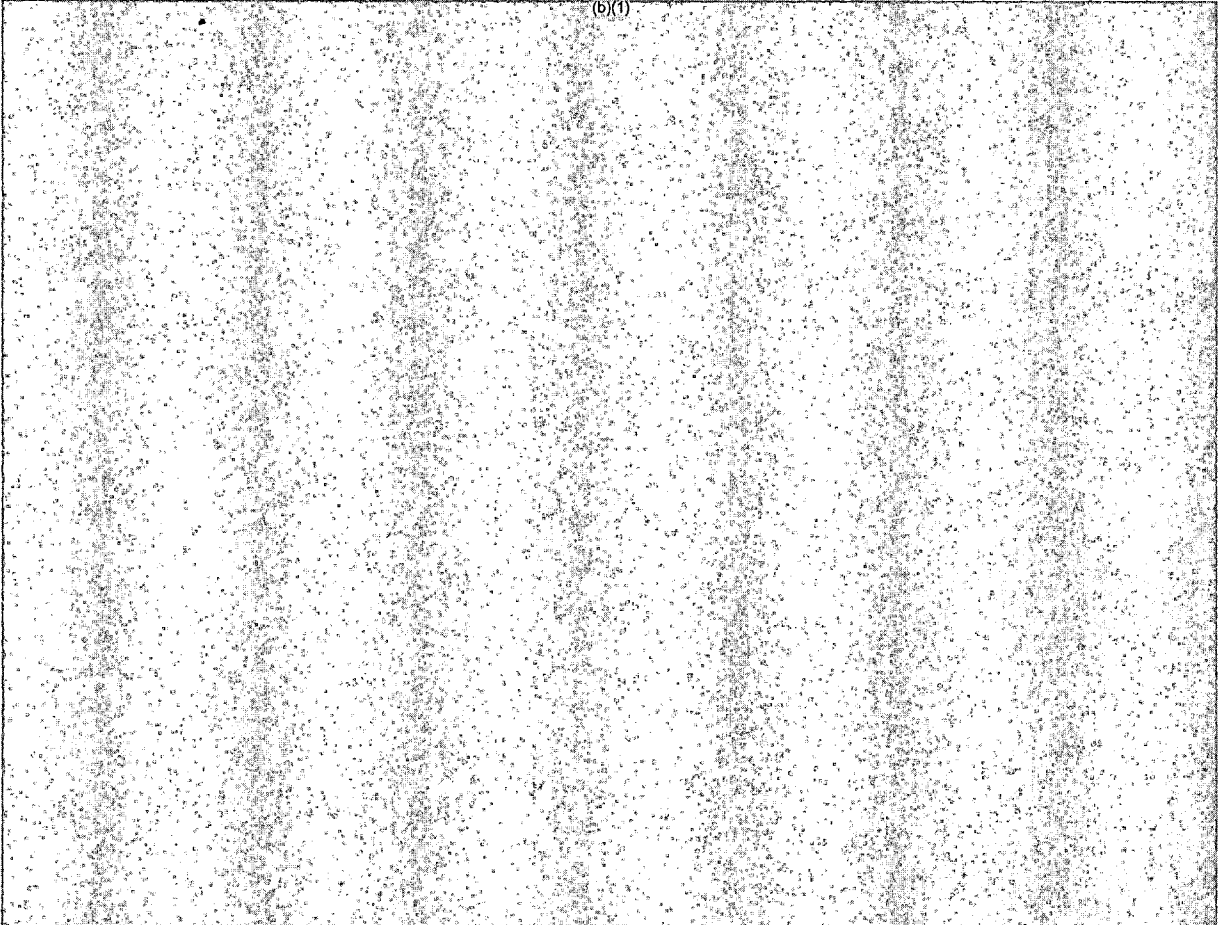
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US Policy Toward India

Assessment: U.S. interests in India stem largely from the preeminent regional status which India's size, population, armed forces, industrial strength and central geographic position give it, and from the major role it has in international fora, especially the Non-Aligned Movement. U.S. ability to influence Indian foreign policy has been limited, and is likely to remain so absent a pro-India tilt in our South Asian policies. Even then there is no guarantee of substantially increased influence.

The past few years have witnessed a marked improvement in US-India relations, particularly in dual use technology transfer, military cooperation, scientific collaboration, trade and anti-narcotics efforts. The U.S. is once again India's largest trading partner, far ahead of the Soviet Union. We have sought to sustain and build the momentum in this

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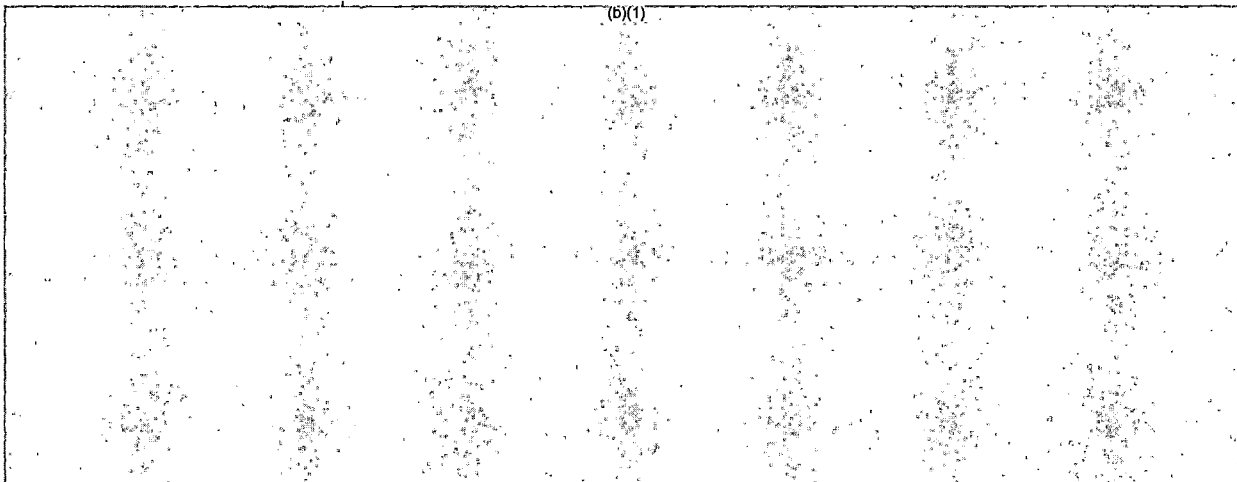
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increasingly pragmatic relationship, stressing areas of mutual interests and reciprocal benefits. The improvement in these areas has not increased our influence substantially in New Delhi, however; nor did we expect it to. US concerns about the spread of nuclear weapons to the subcontinent, Indian power projection ambitions, India's restrictive trade practices and Indo-USSR ties (especially the military supply relationship) have acted as constraints on the relationship.

Soviet withdrawal and the fall of its puppet regime will largely put behind us our differences with India on Afghanistan policy, long an irritant in our relationship. (b)(1)

(b)(1) The removal of the divisive issue of Afghanistan, along with the advent of a democratically elected government in Pakistan, will also improve the prospects for a thaw in Indo-Pakistani relations.

Key constraint: US trade legislation and Congressional sentiment make initiation of a review of major trade sanctions against India highly likely within 2-3 months. There is a strong probability that "special 301" sanctions (under Section 301 of the new Trade Act) directed at India's inadequate protections of intellectual property rights will be initiated and adopted by the end of 1989. Furthermore, "super 301" sanctions could be considered against a range of activities, including import licensing, investment and insurance (see Tab A). These are areas in which the GOI is making progress, and will probably continue to move in the direction we favor.



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Option 1: Continue to seek slow, steady improvement in Indo-U.S. relations, concentrating on trade and non-military technology.

This policy is basically the one being pursued now by the USG. We concentrate on our economic relations while indicating approval of India's general policy in the region and normally not seeking to block GOI regional political initiatives. We would seek limited expansion of our ties with the Indian military establishment, continue to participate in the Light Combat Aircraft project, and continue to supply less high performance weapons under clear guidelines. We would encourage visits, especially by senior military officers, to create familiarity between the two military establishments. We would continue our limited bilateral assistance, support effective multilateral bank lending for India, and maintain the ongoing program of science and technology exchanges. We would continue to encourage GOI reduction of trade and industrial barriers and investment restrictions.

One advantage is that we can pursue this kind of limited improvement along with a continuation of our ties with Pakistan. Another is that we do not raise expectations in the GOI we are unable to meet.

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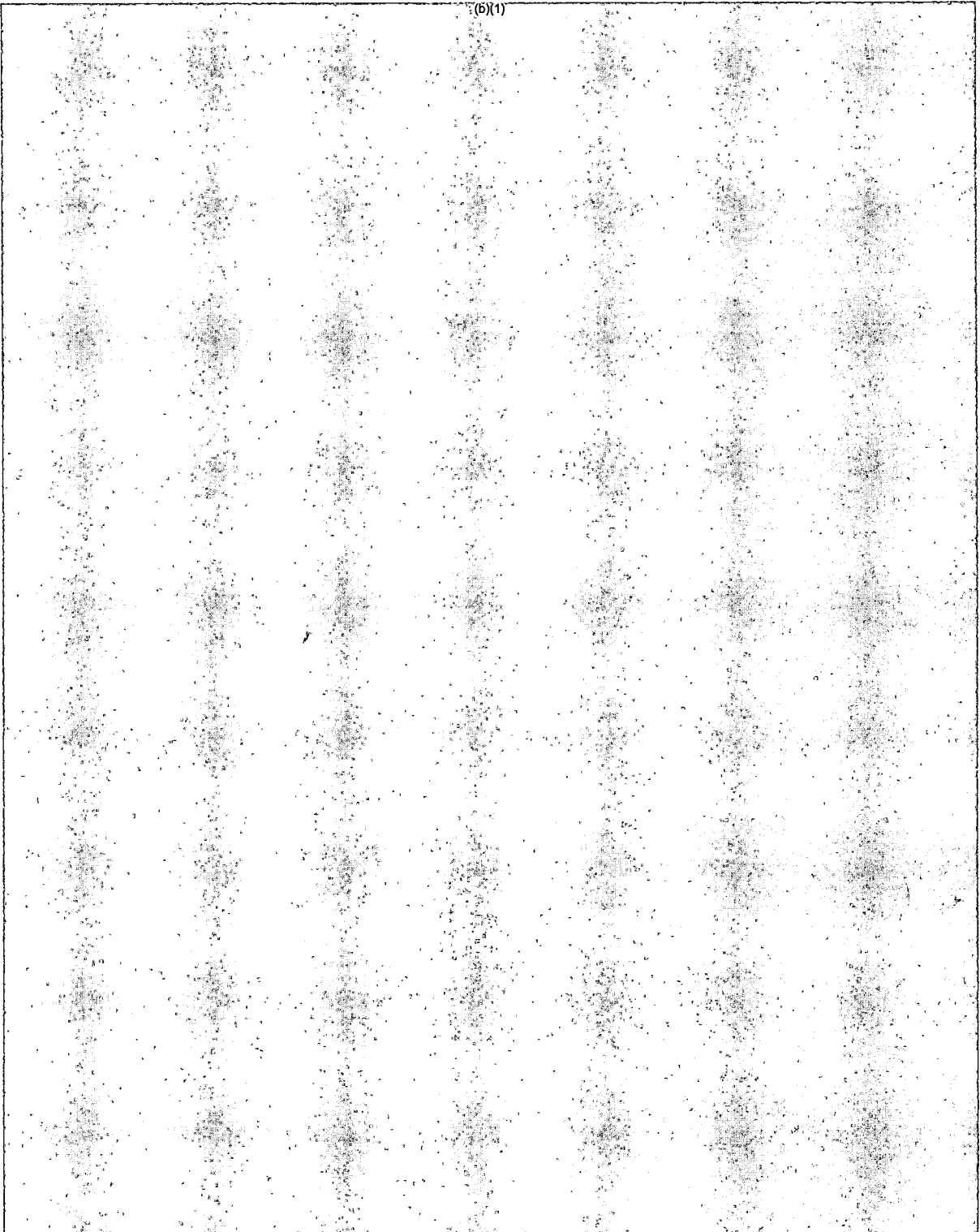
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US Role In Improving Indo-Pakistani Relations

Assessment: The prospects for improved Indo-Pakistani relations are better than they have been in the recent past. Within one month of Bhutto's accession, India and Pakistan concluded a no-first-strike-on-nuclear-facilities pledge that had been on the table for three years. With the coming to power of a civilian, democratic government in Islamabad, New Delhi believes it is dealing with a more receptive Pakistan,

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Option 1: Continue to play a quiet facilitative role.

This option relies on carefully selected low-key diplomatic initiatives. It has the advantage of being relatively low risk

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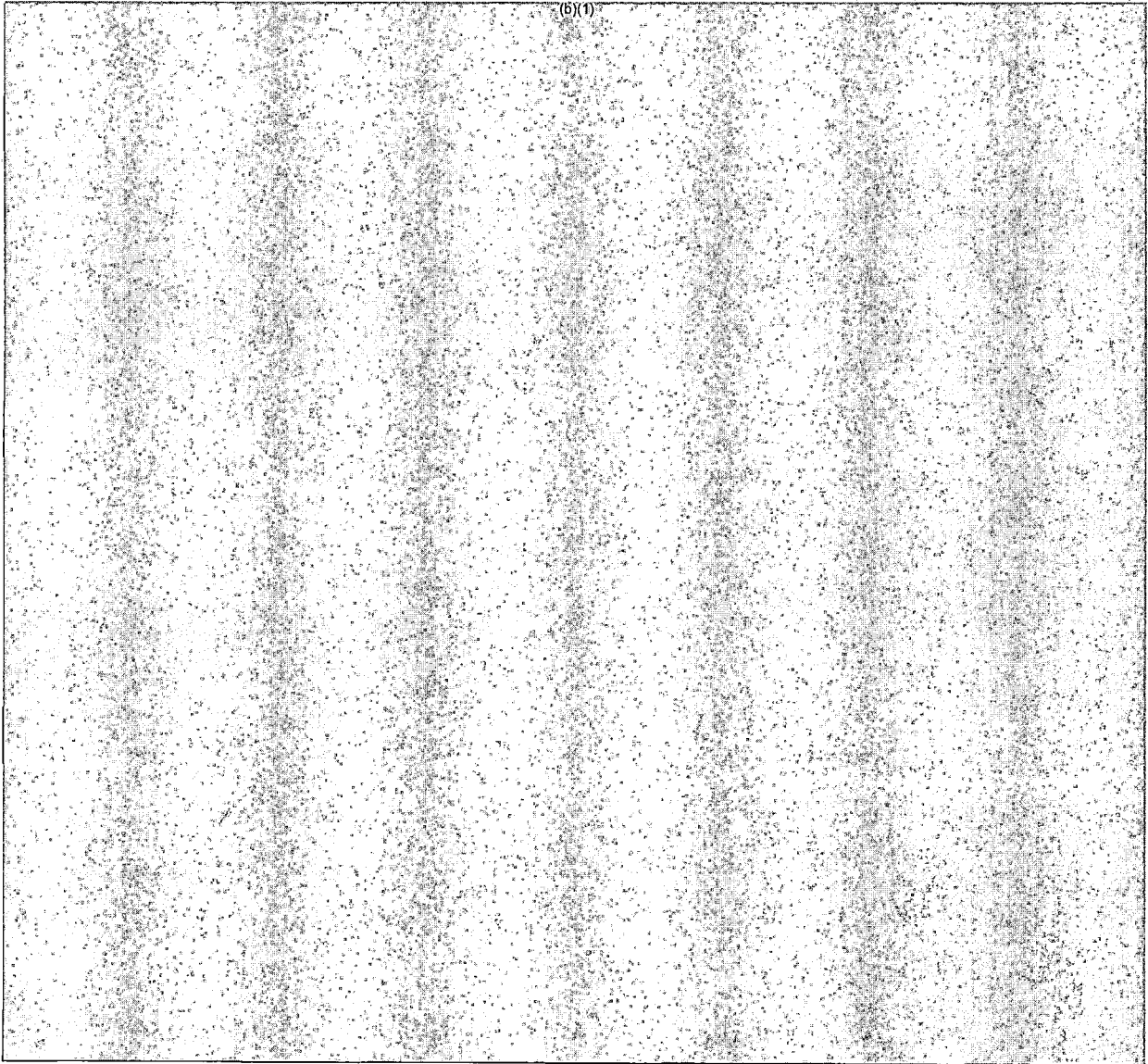
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as long as we maintain a low profile, and does offer the possibility of limited progress.

Under this option, we would encourage further normalization of relations between India and Pakistan, including high-level exchanges of visits, mutual disengagement from the Siachen Glacier and confidence-building military measures. We would continue to urge India and Pakistan to conduct a dialogue on the nuclear issue, building on the no-strike pact, while recognizing that progress will be difficult and slow.

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U.S. Policy Toward the Smaller Countries

Assessment: The smaller countries of South Asia--Nepal, Bangladesh, Sri Lanka--fear domination by the Indian colossus. Those fears are grounded in fact. India has used economic leverage (Nepal), intervention among ethnic communities (Bangladesh), and the implied threat of military force (Sri Lanka) in attempts to compel conformity with Indian foreign policy goals. The recent heavy GOI pressure on Nepal over the lapsed trade and transit agreements is a case in point. The smaller countries see the United States and a strong Pakistan as counterweights to Indian influence. None of the smaller countries is a major trading partner of the U.S. Our strategic interest in them is modest. We have traditionally assisted in their economic development and supported their national sovereignty.

The South Asian Association for Regional Cooperation (SAARC) provides a forum in which the voices of the South Asia's smaller countries can be heard. Since its inception in 1985, SAARC has become a useful vehicle for cooperation on a range of issues including drug trafficking and terrorism. Less formally, SAARC meetings provide an opportunity for conflict attenuation through high-level meetings. To date, however,

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India has opposed any formal collective security role for SAARC and has resisted use of the organization to deal with controversial political issues.

Option 1: Continue to support their autonomy and development.

Under this option--essentially a continuation of our current policy--we would continue to assure India's smaller neighbors of our support for their independence and economic development. As before we would use our economic assistance to influence movement towards political democracy and economic liberalization. We would support SAARC as an informal forum for conflict resolution.

This option has the advantage of reassuring Pakistan and the other South Asian countries, and sending a signal world-wide that our commitment to national sovereignty remains.

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U.S. Policy Toward Soviet Involvement in South Asia

Assessment: While India will continue to see the Soviet Union as its closest political supporter, it recognizes the limit to the benefits of economic cooperation with the USSR and has noted the failure of Soviet policy in Afghanistan. The US is again India's largest trading partner, and India is increasing purchases of Western technology. However, the Soviet Union remains India's major military supplier. The Soviet Union shares our non-proliferation concerns and has raised this issue with India, but has also taken steps, such as the sale of a nuclear power reactor to India without insistence on full-scope safeguards, that have undercut our non-proliferation efforts in South Asia.

In the wake of Soviet withdrawal from Afghanistan we expect to see a limited warming in Soviet-Pakistani relations, which will contribute to overall stability in the region. Improvement in Soviet-Pakistani relations will be constrained by the priority the Soviets will continue to give to India and, until the Najib regime falls, by continued Pakistani support to the Afghan resistance.

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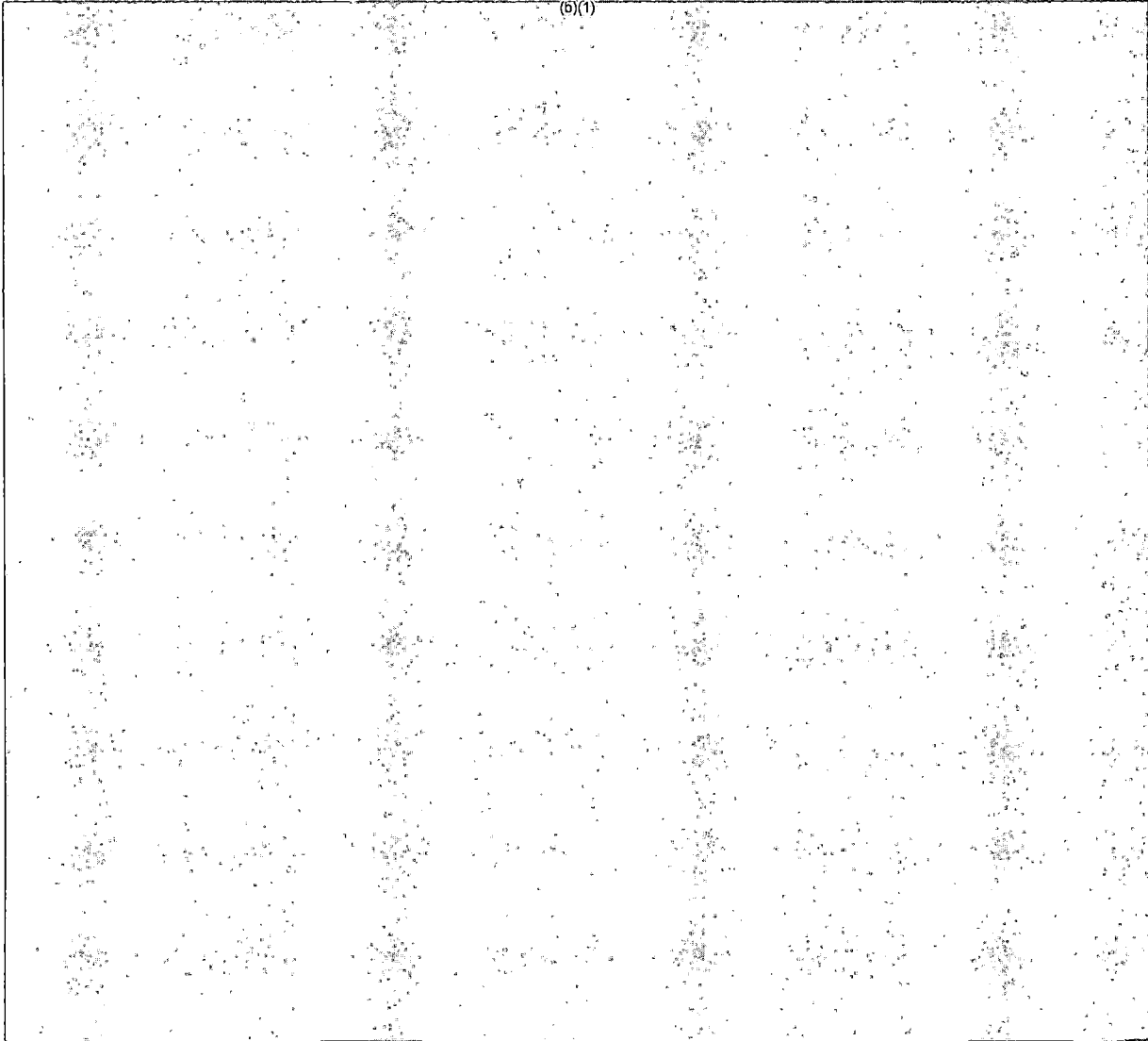


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ISSUE

The "Super 301" and "Special 301" exercises, mandated by the 1988 Omnibus Trade Act, must be concluded by May 30, 1989. TPRG approval is sought on proposals for handling both of these issues, that include an interagency process and initial consultations with a number of foreign governments.

RECOMMENDATION

It is recommended that the TPRG approve the proposed workplan in Attachment 1 for Super 301, and the approach for Special 301 outlined in Attachment 2. Approval of these plans will enable us to initiate consultations with foreign governments in both exercises.

BACKGROUND

Super 301

Procedural Aspects

By April 30, 1989 (and by March 31 next year), USTR must publish the annual National Trade Estimates (NTE) Report identifying, by country, significant foreign trade barriers, and estimating the value U.S. exports would have been but for those barriers. As in previous reports, the barriers included will not necessarily be limited to "unfair" practices; for example, high tariffs can be included, notwithstanding their consistency with the GATT.

Updated submissions on the 38 countries to be included in the NTE report have been prepared by USTR and will be edited during the next few weeks each country section will be edited for consistency of trade impact estimates. This week USTR will develop a list of the practices that appear to be the most significant, on the basis of this year's draft NTE report. The draft report will be sent out for agency comments in early March and sent to the printer by April 3. The published report must be submitted to the President and to the Senate and House committees no later than April 30.

In the 30 days following publication of the NTE report, we must identify which of the barriers listed in the report are "priority practices," the elimination of which would have the most significant potential to increase U.S. exports. In doing so, we can consider the value of the precedent that would be created by liberalizing a barrier, even if the resulting dollar value of exports is insignificant. Finally, the law suggests that we take into account the number and pervasiveness of such practices in countries where there is the greatest potential for a high level of U.S. exports, and designate those countries' practices as priorities. By May 30 USTR must submit its list of priority

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countries and practices to the Congress, and publish it in the Federal Register.

We must then self-initiate separate 301 investigations on all of the "priority practices" of "priority countries," no later than June 20, 1989 (May 21 in 1990). During Congressional debates on the draft Super 301 legislation, there were differing views on how many countries are expected to be designated each year; the law itself does not specify a number. However, it is clear that some countries must be designated, and Members of Congress expect more than just one or two to be designated.

Once a 301 investigation has been initiated, it follows the regular procedures for such investigations. In addition, the law provides that the negotiations with the foreign government shall aim toward agreements that eliminate the priority practices within three years, with the expectation that U.S. exports will increase incrementally each year. If no agreement is reached, the regular section 301 deadlines apply for a determination whether the practice is actionable under section 301 and what responsive action the U.S. should take (a maximum of 18 months in investigations involving most trade agreement violations, and a maximum of 12 months in other investigations).

Unlike the Special 301 exercise on intellectual property, which continues each year, Super 301 is required only this year and next. Attachment 3 provides the statutory timeline for Super 301 during 1989 and 1990.

USITC has requested public comment, through a notice in the Federal Register, on what practices should be considered as "priorities"; submissions are due March 24. The request will be conveyed also to the advisory committees and certain other groups like the Chamber of Commerce, Farm Bureau, National Association of Manufacturers, Business Round Table, etc.

Policy Considerations

The Super 301 law sets forth a step-by-step process, arriving at a decision on priority countries only after adding up the numbers on trade impact and selecting the largest ones. Even so, we should consider at the outset whether there are some countries for which it is politically advisable to initiate at least one 301 investigation. We also should consider whether certain practices (e.g., Airbus subsidies) should result in a self-initiated 301, whether or not the country involved is likely to be a priority country candidate.

Early in the process the TPRG should decide whether we should select certain practices generically as priorities each year (e.g. agricultural subsidies, import licensing, distribution

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systems) and then select the countries where their elimination would most increase U.S. exports, or whether to follow more precisely the statutory scheme, selecting priority practices on the basis of trade impact, and targeting the countries with the most priority practices.

As we proceed to analyze foreign practices, the TPRG should decide whether to use Super 301 only to initiate new investigations, or also to create new initiatives on existing practices that have already been the subject of 301 action (e.g., Japan semiconductors, EC canned fruit, Argentina soybeans).

Policy guidance on these and other questions will be sought from the TPRG as the Super 301 exercise proceeds.

Special 301

Procedural Aspects

In section 1303 of the 1988 Omnibus Trade Act, Congress found that "international protection of intellectual property rights is vital to the international competitiveness of United States persons that rely on protection of intellectual property rights" and that "the absence of adequate and effective protection of United States intellectual property rights, and the denial of fair and equitable market access, seriously impede the ability of the United States persons that rely on protection of intellectual property rights to export and operate overseas, thereby harming the economic interests of the United States."

Annually, within 30 days after the NTE report is issued, the Trade Representative must:

- (1) identify those foreign countries that
 - (A) deny fair and effective protection of intellectual property rights, or
 - (B) deny fair and equitable market access to United States persons who rely upon intellectual property protection. (The law defines this as the denial of access, through the use of measures which (1) are a violation of international law or agreement to which the U.S. and the country are a party, or (2) constitute discriminatory nontariff trade barriers.); and
- (2) determine those countries so identified to be "priority countries."

Priority countries are only those countries whose policies, acts and practices identified as denying adequate and effective IPRs or fair and equitable market access are:

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- (A) the most onerous or egregious;
- (B) have the greatest adverse impact (actual or potential) on the relevant U.S. products; and
- (C) those countries that are not (i) entering into good faith negotiations, or (ii) making significant progress in bilateral or multilateral negotiations to provide adequate and effective IP protection.

Within 30 days after the identification of priority countries, the Trade Representative must initiate 301 investigations of their intellectual property practices. The timeframe this year for these special section 301 cases is set forth in Attachment 4.

A TPSC Task Force has reviewed the intellectual property regimes of 35 countries whose regimes are potentially vulnerable under the statutory criteria of the Special 301 provisions. It is the view of most, but not all, agencies that the next step, based on the information gathered, is to contact most of the 35 countries whose IPR regimes have been reviewed, following the approach outlined in Attachment 2.

Policy Considerations

Congress was clear in its statement of purpose for the "special" 301 process: "to provide for the development of an overall strategy to ensure adequate and effective intellectual property rights and fair and equitable market access for United States persons that rely on protection of intellectual property rights." Our objectives are:

- o to use the procedures in the law to build a consensus with the private sector and the Congress on our priorities for the use of our resources in the 301 context; and
- o to use the leverage it provides in a constructive way to enhance our multilateral negotiating efforts in the Uruguay Round and elsewhere, and also in bilateral negotiations.

priority countries
Since this is a continuing process and one for developing a consensus strategy for improving IP protection and market access, our consultations and contacts should be with all countries that have been identified as having IP problems. Our tactics and objectives would necessarily vary from country to country. Clearly our credibility in the consultations and our ability to build a consensus with the private sector and Congress necessitates a conscientious and tough review of the problems we face in the area.

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Withdrawal/Redaction Sheet

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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
06a. Report	Re: National Security Review #8 - South Asia [FOIA RESTRICTIONS REDACTED] (24 pp.)	n.d.	(b)(1)	S

Collection:

Record Group: Bush Presidential Records
Office: National Security Council
Series: H-Files
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WHORM Cat.:

File Location: NSR-8 - February 22, 1989 - U.S. Policy Toward South Asia

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P-2/P-5 Review Case #:	Disposition Date:
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AR Disposition:	MR Disposition: Released in Part
AR Disposition Date:	MR Disposition Date: 7/24/2012

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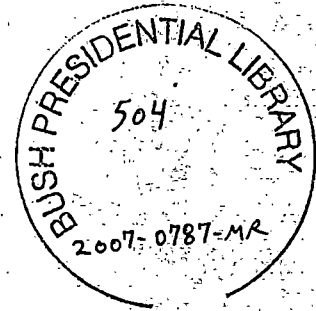
C. Closed in accordance with restrictions contained in donor's deed of gift.

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(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

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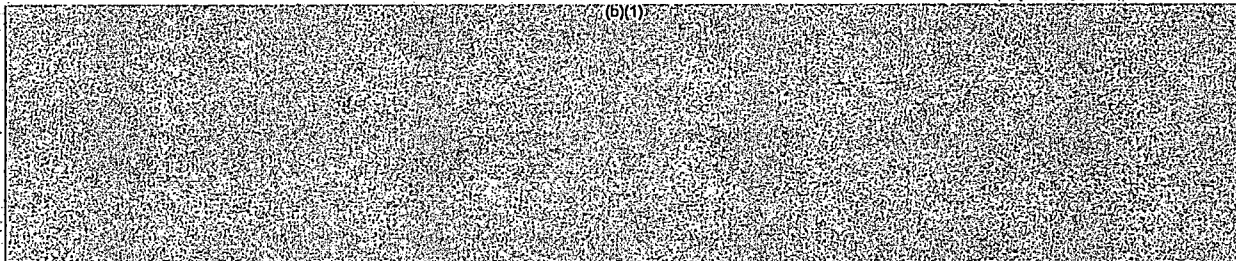
NATIONAL SECURITY REVIEW # 8 - SOUTH ASIA

PART I: ASSESSMENT

U.S. Interests in South Asia

The key U.S. interest in South Asia is regional stability, for its own sake, as a bulwark against Soviet influence and expansion, and as a condition necessary for economic, social and political development. This stability depends largely on relations between and within the two larger countries in the area, India and Pakistan. It can also be affected by their relations with the major powers and by developments in the smaller regional countries and in those nations' relationships with India.

Major U.S. objectives include reducing the influence of the Soviet Union in the region, preventing the proliferation of nuclear weapons and missiles, and stemming the flow of narcotics from the region. Other U.S. interests in South Asia reflect our general Third World objectives: promotion of human rights, representative institutions and economic development. The region's abysmally low living standards make the last objective particularly important.



Current U.S. Policy

Since 1979 our objective of expelling the Soviets from neighboring Afghanistan has largely shaped our policy agenda toward South Asia. As set forth in NSDD 147 of October 11, 1984, this policy has been to improve relations with both India and Pakistan and to encourage Sino-Indian rapprochement in order to "undermine Moscow's subjugation of Afghanistan and weaken Soviet influence in the Subcontinent."

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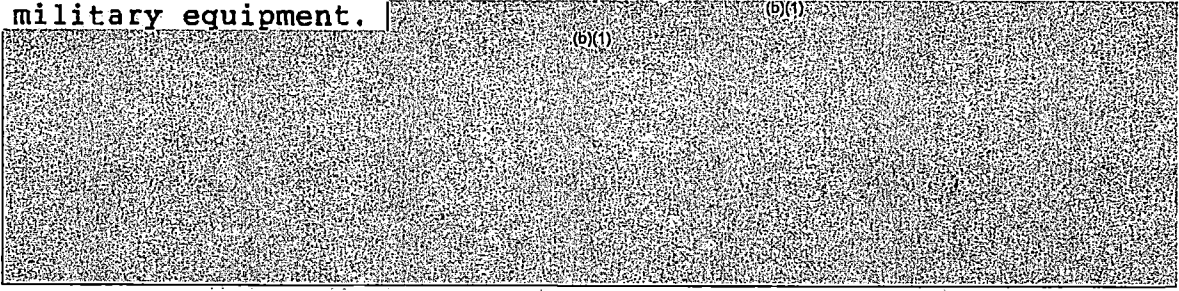
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In the last decade, we have looked to Pakistan as indispensable to our goal of restoring a non-aligned, independent, and politically stable Afghanistan. We have recognized that in order for Pakistan to be able to play a helpful role on Afghanistan and in other areas in Southwest Asia, it required self-confidence and strength. This heightened our interest in Pakistan's overall security (i.e. vis-a-vis India) as well as in its economic well-being.

To enable Pakistan to play its critical role on Afghanistan, the Reagan Administration rebuilt a close diplomatic and security relationship with the GOP anchored initially on a multiyear economic and security assistance agreement signed in 1981. In 1986, the U.S. and Pakistan agreed to a follow-on, 6-year, \$4.02 billion program, divided roughly 43-57 percent between military and economic assistance.

The U.S. has sought to improve relations with India through such measures as increased trade and investment, high-tech transfers and the sale of limited quantities of sophisticated military equipment. (b)(1)



These policies were remarkably successful. Relations have improved with both India and Pakistan. The Soviets have left Afghanistan. We are now at a turning point, where it is appropriate to examine future policy directions. But our ability to develop policy options for South Asia is severely constrained by U.S. law. Legislation on nuclear non-proliferation vis-a-vis Pakistan and the implications for India of legislation on intellectual property rights both have to be factored into consideration of our policy.

Strategic Environment

After nearly a decade, the Soviets have withdrawn from Afghanistan and the fall of the puppet regime they left behind is only matter of time. In Pakistan democratic institutions function after the first credible elections since 1970. Fresh efforts to normalize Sino-Indian and Indo-Pakistani relations have been dramatized by the December visits of Rajiv Gandhi to

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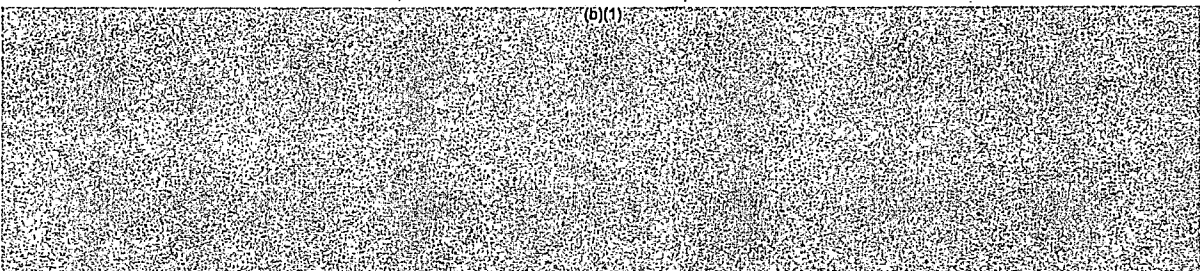
Beijing and Islamabad, the first official journeys of an Indian Prime Minister to the PRC and Pakistan in decades. But the fundamental mistrust that has characterized Indo-Pakistani relations since the 1947 partition still shapes the regional political climate. And the threat of nuclear weapon/missile proliferation on the Subcontinent remains a preeminent concern.

In terms of size, population, industrial strength and military capability, India far outweighs its neighbors. India commands roughly a 2:1 advantage in manpower and major conventional combat equipment over Pakistan, and this margin is growing. In the wider regional context, India is now the preeminent regional naval power in the Indian Ocean littoral. New Delhi's ability to project power in the region, while presently modest, will have to be taken into increasing account by military planners.

The Soviets and South Asia. While Soviet withdrawal removes Soviet troops one step farther from South Asia, Moscow maintains significant military forces bordering the volatile neighboring countries of Iran and Afghanistan. The Soviet Union's long-term objective in South Asia itself is enhanced political and economic influence. For over three decades, it has relied on close ties with India as the cornerstone of its South Asian policy.

Soviet withdrawal may lead to a modest growth of Soviet influence in Pakistan as the Soviets seek to improve bilateral ties (already evident in Shevardnadze's February visit to Islamabad). These efforts are likely to be constrained by Moscow's continuing interest in not jeopardizing its close ties with India and by economic stringencies that will limit its ability to become a major donor to Pakistan. For its part, Pakistan will be interested in some improvement in bilateral ties.

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Prospects for Internal Stability in India and Pakistan: The prognosis for internal stability in India is good. Ethnic,

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religious, and community unrest and separatism pose continuing problems for India's security forces but do not threaten the integrity of the nation or its commitment to democracy. Although terrorism in the Punjab remains an acute problem, it does not appear to pose a serious threat to national stability.

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Prime Minister Gandhi's economic liberalization combined with strong agricultural performance bodes well for economic growth, but India's long-term economic prospects remain clouded by nagging structural problems, bureaucratic inefficiencies, and trade deficits. Nonetheless, with projected continued high economic growth rates for 1989, we doubt economic conditions will seriously threaten the political system, although election prospects for the Gandhi government are unclear.

We believe Pakistan's democratic experiment has a better than even chance of surviving through the remainder of the year. Pakistan's new government faces tough issues, including implementing unpopular austerity measures, managing the post-Soviet withdrawal phase, and limiting ethnic and sectarian polarization. If these or other issues should lead to prolonged violent civil disturbance, the Army would feel compelled to intervene.

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Prospects for economic growth in Pakistan are good, if the Bhutto government implements most of the reforms required by its recently signed structural adjustment program with the IMF. Even if Islamabad sticks with the program, however, the rate of annual GNP growth during the next several years will probably not reach the 6.8 percent it averaged during the last decade. Pakistan's debt service ratio at close to 30% constitutes an economic burden but has not reached crisis proportions.

Regional Diplomacy: India's diplomacy is directed at achieving regional preeminence and promoting stability in South Asia on its own terms. These goals have served a succession of Indian leaders and, allowing for differences of tone, will probably

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remain in force for the foreseeable future.

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Nuclear/Missile Proliferation: India tested a nuclear device fifteen years ago. Both India and Pakistan are capable of building nuclear weapons and probably could produce nuclear explosive devices--though not necessarily deliverable nuclear weapons--within a few weeks of a political decision to proceed. New Delhi is developing short-range and medium-range ballistic missiles that may be operational by 1991 and 1993 respectively. Islamabad test-launched two short-range unguided ballistic missiles early this year and hopes to deploy one configuration within the next year or two,

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The effort to encourage a political solution to the South Asia nuclear problem is locked in a stalemate. Pakistan has stated it will not abandon its nuclear weapons option unless India does, but India insists that progress on South Asia must be linked to global disarmament.

Neither country is likely to forswear the option of developing nuclear weapons, and the nuclear issue will remain a major potential threat to regional stability. So far, however, both have refrained from overt deployment of nuclear weapons. It is unlikely that the development of nuclear weapons by India or Pakistan would lessen either's desire for sophisticated conventional weapons. Deployment of missiles by either country would accelerate the arms race on the Subcontinent, and could prove more destabilizing than their nuclear programs.

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PART II: POLICY OPTIONS

US POLICY TOWARD SOUTH ASIA

Historical Assessment: U.S.-Indian relations have undergone sizeable changes over the past four decades. India's prickly insistence on a non-aligned foreign policy which has often tilted toward the Soviets and its efforts to exclude great power influence from a region where it sought predominance have been problems for us. At the same time, we have provided major economic assistance to India (now much reduced) and have welcomed India's success in maintaining its democratic institutions. (b)(1)

(b)(1)

In our Dullesian search for allies against monolithic communism, the U.S. discovered and courted Pakistan in the early and mid-50's. Pakistan became a member of CENTO and SEATO. We believed that we were forming an alliance against the Soviets and the Chinese. Pakistan saw the relationship in the context of its longtime search for security against India. The incompatibility of these objectives was demonstrated in 1965 when the United States withheld military supplies from Pakistan in its war with India. From 1965 until 1981, U.S. relations with Pakistan fluctuated, reaching a low point when the U.S. cut off assistance in 1979 in reaction to Pakistan's nuclear policy.

India has played a leadership role in the Non-Aligned Movement; Pakistan has played a leading role in the Islamic world, in which it was the largest state until its east wing became Bangladesh in 1971. The U.S. has sought to play a peacemaker's role in South Asia-- (b)(1)

(b)(1) --with limited success. The Soviets mediated the end to the 1965 war but, by the obvious pro-India tilt of their subsequent policy, lost the advantage they had gained. (b)(1)

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U.S. interests and involvement in South Asia after 1965 remained limited until the Soviet invasion of Afghanistan.

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Level of US. Involvement in South Asia

In the wake of the Soviet withdrawal from Afghanistan, the first question for U.S. policy is whether we are to return to the modest role of the late 1960's and 1970's or to seek to maintain or expand U.S. influence and involvement in South Asia.

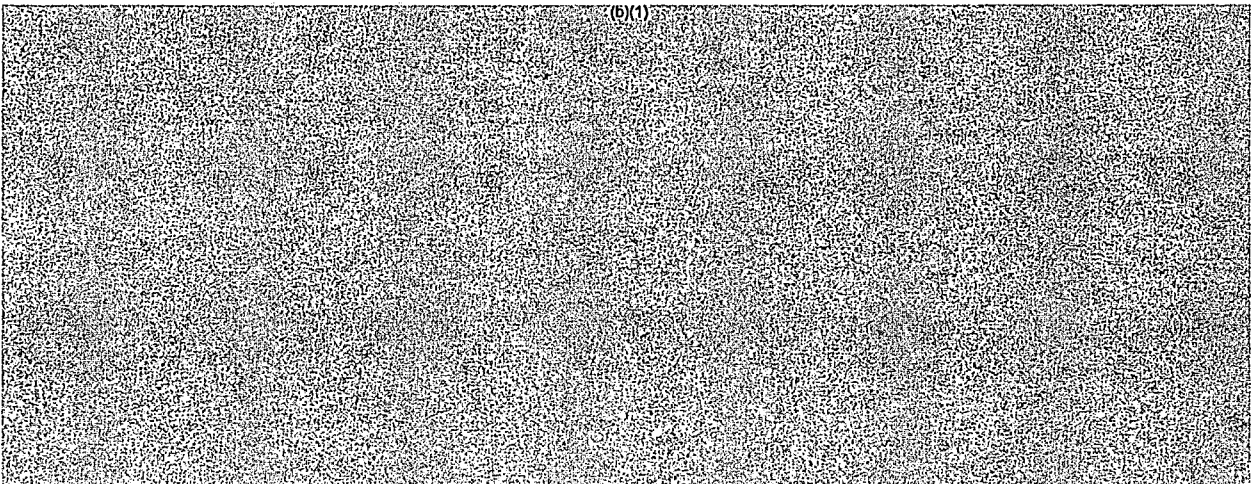
Option 1: Sustain current level of US political and security involvement in the Subcontinent.

This would mean continuation of economic and military assistance and of our effort to influence the policies of the South Asian states on issues of concern to us. This approach presupposes that we continue to have substantial interests in the region, spelled out above, which justify the substantial outlay of resources involved. The only apparent disadvantage is the cost in terms of U.S. economic and diplomatic investment in the region, relative to potentially more important U.S. interests elsewhere.

Option 2: Reduce our involvement and exposure in South Asia

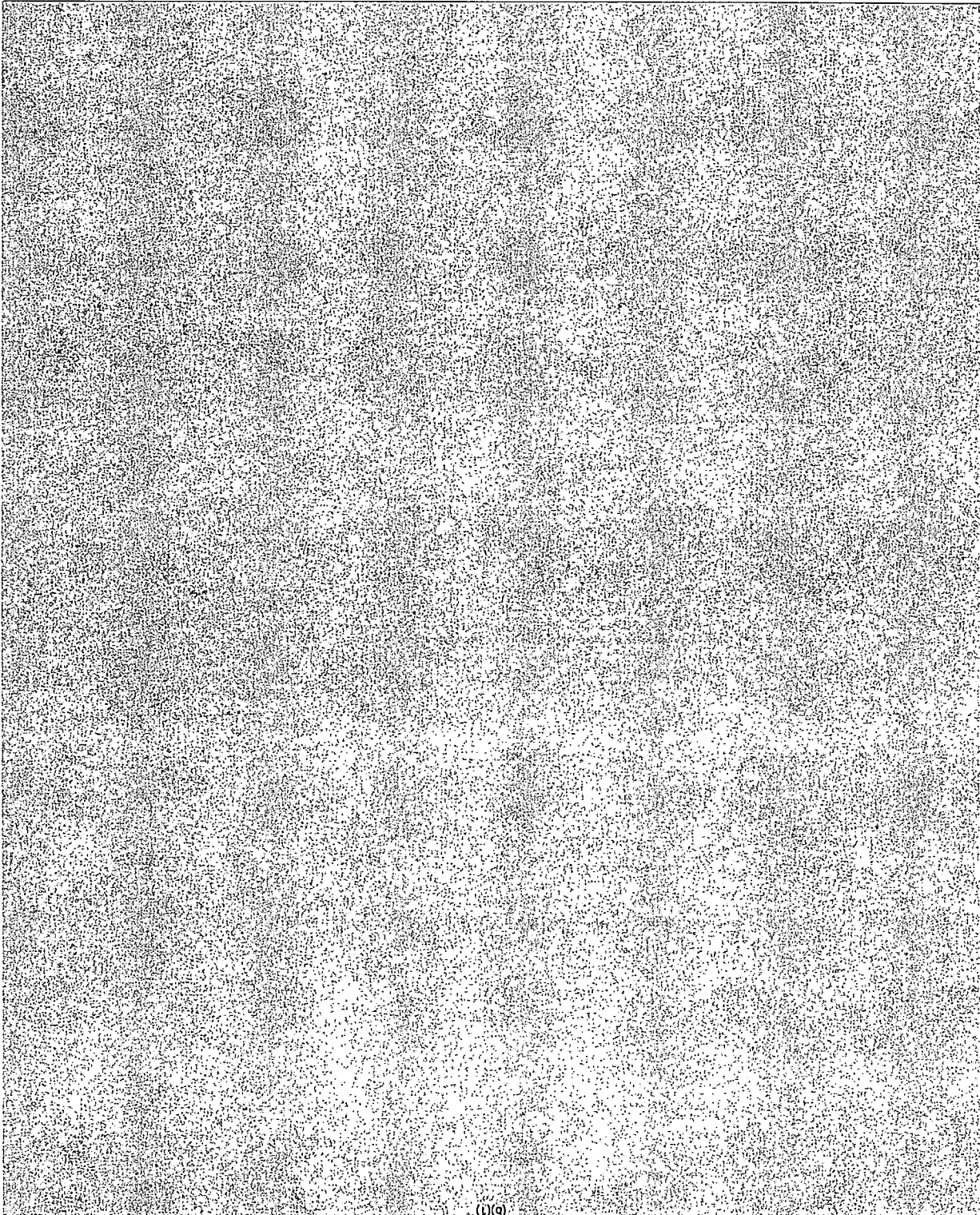
It can be argued that the limited 1965-80 U.S. commitment was enough to support our interests in the area, absent an immediate Soviet encroachment. Cutting back our diplomatic involvement in and economic assistance to the area would obviously reduce our ability to pursue our goals there, including nuclear/missile non-proliferation and narcotics suppression. It would also enable the Soviets to increase their influence. On the other hand, the resources that now go to South Asia could be used to support US interests in possibly more critical parts of the world.

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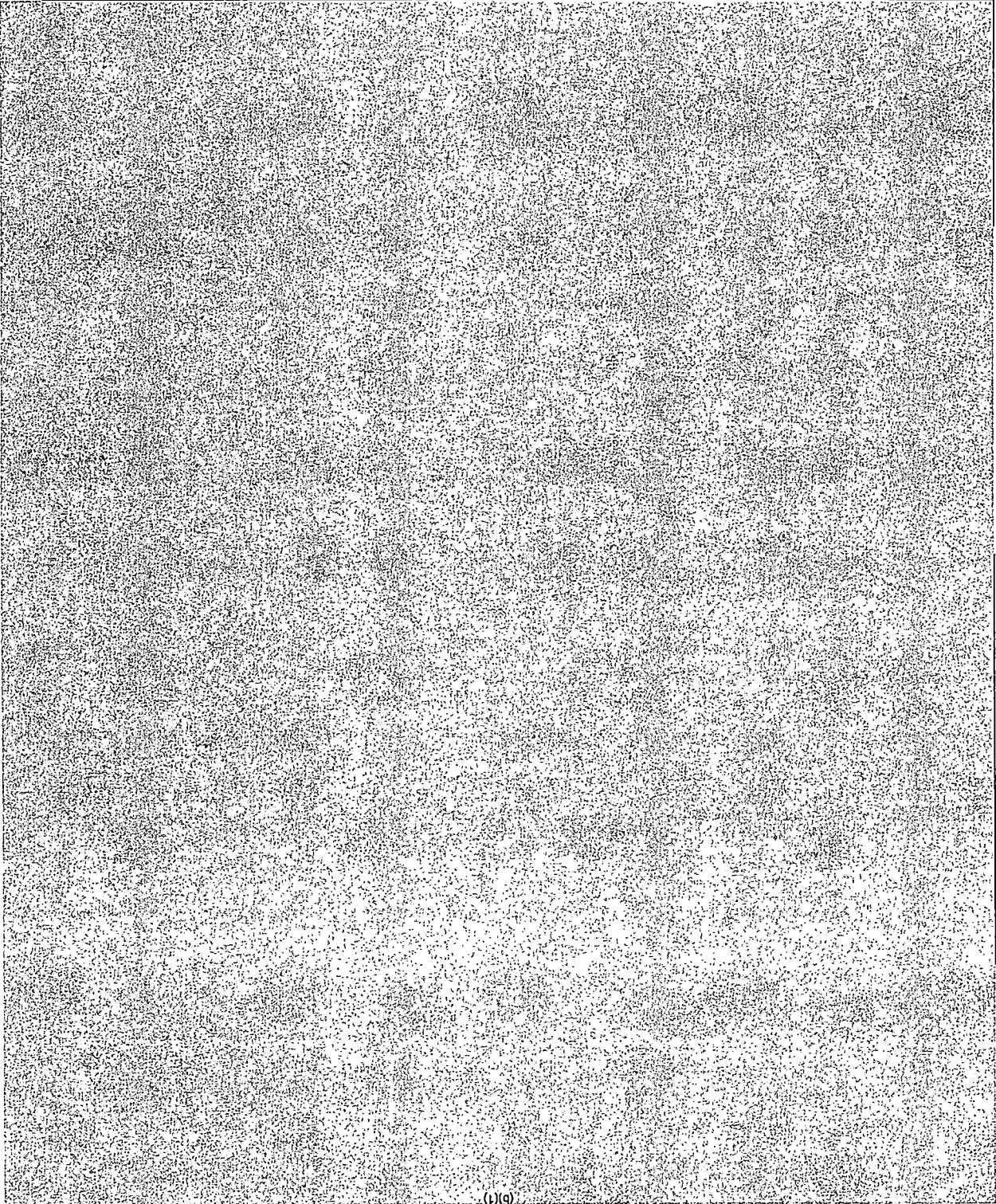
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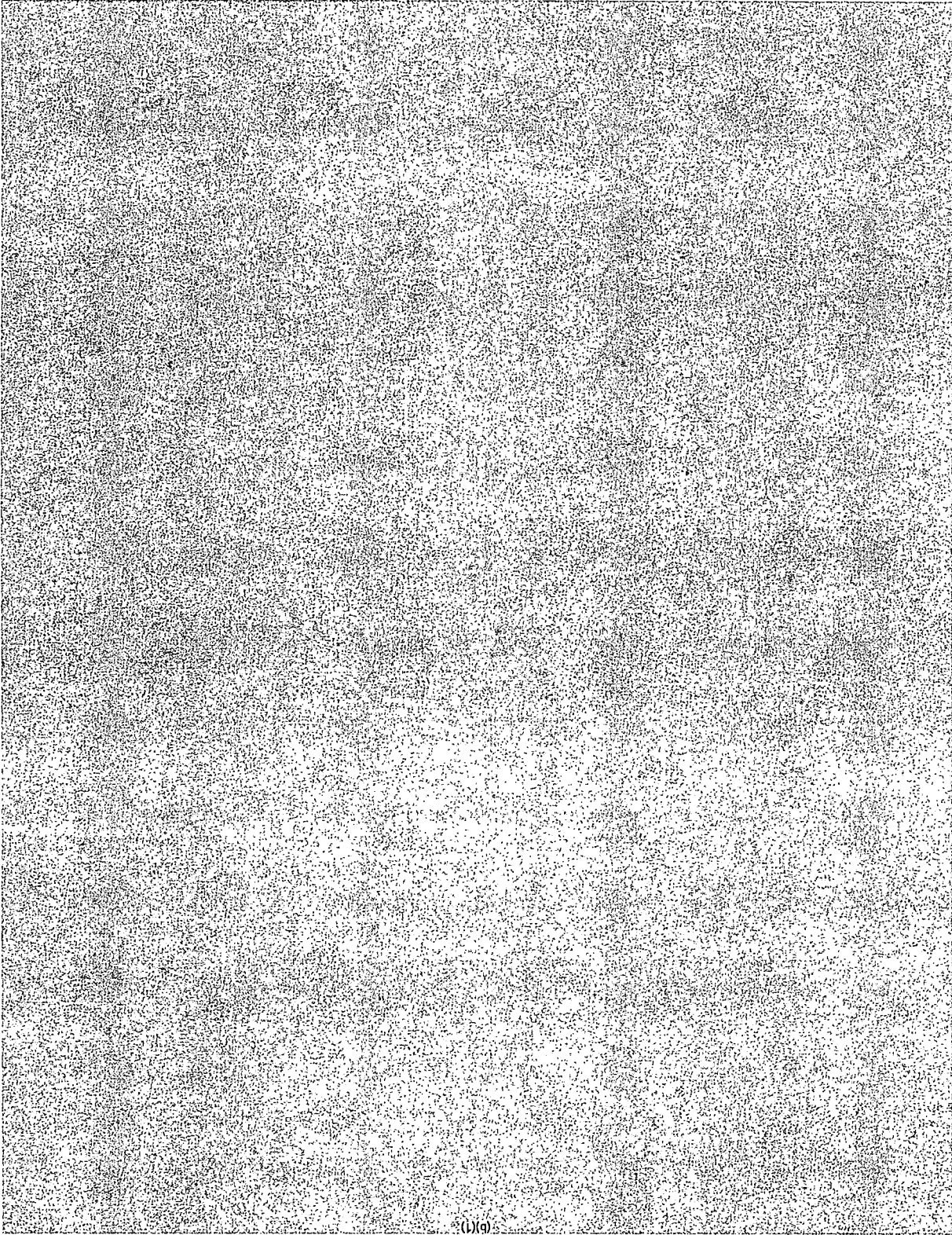


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Key constraint: The Pressler Amendment to the Foreign Assistance Act prohibits most types of economic and military assistance as well as military sales and transfers to Pakistan until the President certifies each fiscal year that Pakistan "does not possess a nuclear explosive device and that the proposed U.S. assistance program will reduce significantly the risk that Pakistan will possess" such a device. After making the certification for FY 89, President Reagan informed President Ghulam Ishaq Khan that "while I am able to certify for the current fiscal year, I must tell you candidly that if present trends continue and Pakistan does not take effective action to restrain its nuclear program, future certifications will be impossible." Thus, in assessing the following options, it should be kept in mind that they will become largely irrelevant if Pakistan fails to take the necessary steps to assure that the President will be able to certify for FY 90.

Inability to grant Pressler certification would (b)(1) lead to the termination of all assistance as well as military sales and transfers to Pakistan, thereby crippling U.S.-Pakistan relations. (b)(1)

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U.S. legislation also requires that Pakistan be certified annually as "fully cooperating" with us on narcotics suppression efforts in order to receive U.S. assistance. It is likely that Pakistan will continue to meet the criteria for that certification.

Option 1: Continue close diplomatic and security relationship; maintain current levels of support.

Under this option the US would continue its close diplomatic relationship with Pakistan and seek to provide the annual levels of assistance agreed to in the six-year assistance agreement signed in 1986 for FY88-93 (originally \$290 million in military assistance, \$380 million in economic assistance). Diplomatic initiatives would include high-level

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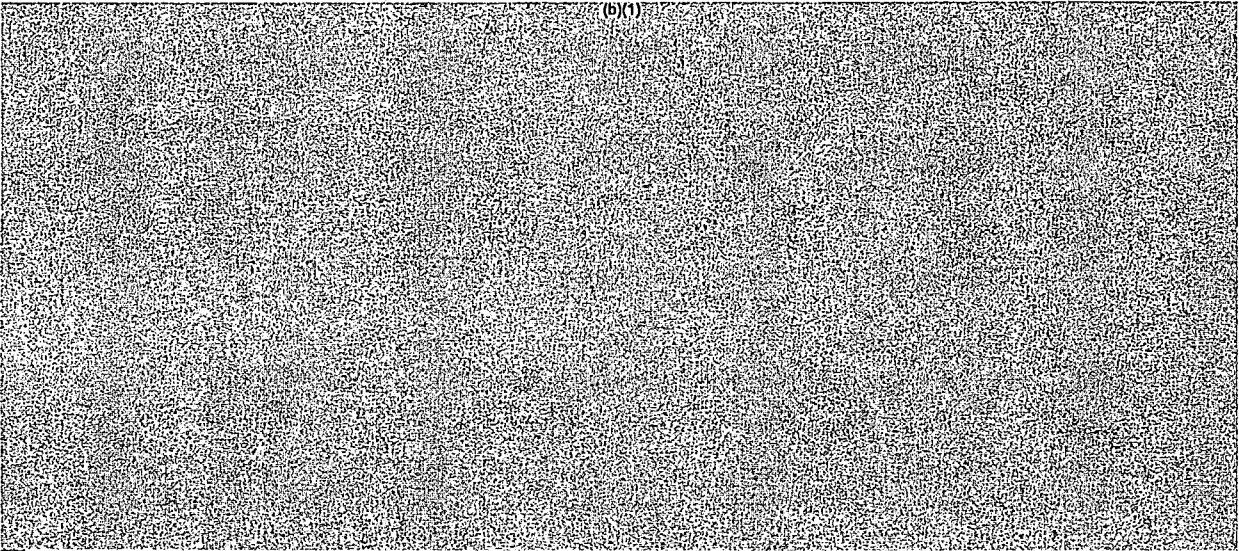
visits by government and military leaders on both sides. We would seek other ways to promote cooperation, such as a science and technology program (if funds can be identified).

Pakistan's strategic location on the southern flank of the Soviet Union and the approaches to the Persian Gulf, an uncertain, volatile area highly important to the US, and its proven willingness to act as a bulwark against Soviet expansion argue in favor of this option. Continued US support is necessary if Pakistan is to play this role.

We intend to continue to support the Afghan resistance until the Najib regime falls, and to keep on providing humanitarian assistance to Afghans thereafter. In delivering aid across the border, we will need the GOP's continued full cooperation which can best be assured by maintaining our strong ties with Pakistan.

Continuing assistance to Pakistan also promotes the further development of the country's newly established and still fragile democratic political institutions. A democratic regime in Pakistan is important to Indo-Pakistan rapprochement and therefore to the achievement of regional stability and other U.S. objectives in the region. Our assistance promotes economic development, which also encourages stability. Within the framework of continued economic and military assistance, the U.S. would have the influence to pursue its objective of strengthening democratic institutions. Continued assistance also gives us leverage to press for economic deregulation and reforms that enhance prospects for U.S. trade and investment.

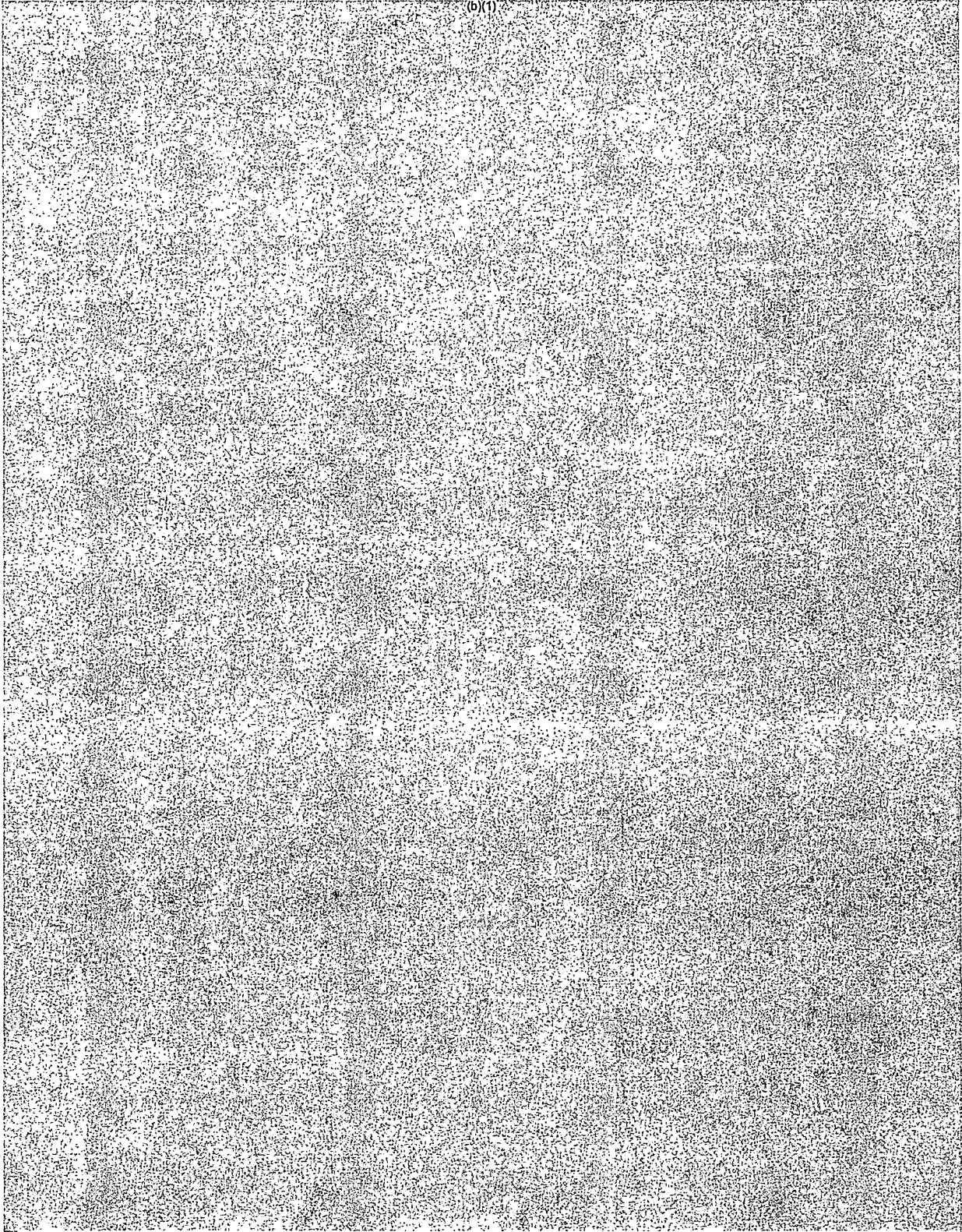
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US Policy Toward India

Assessment: U.S. interests in India stem largely from the preeminent regional status which India's size, population, armed forces, industrial strength and central geographic position give it, and from the major role it has in international fora, especially the Non-Aligned Movement. U.S. ability to influence Indian foreign policy has been limited, and is likely to remain so absent a pro-India tilt in our South Asian policies. Even then there is no guarantee of substantially increased influence.

The past few years have witnessed a marked improvement in US-India relations, particularly in dual use technology transfer, military cooperation, scientific collaboration, trade and anti-narcotics efforts. The U.S. is once again India's largest trading partner, far ahead of the Soviet Union. We have sought to sustain and build the momentum in this

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increasingly pragmatic relationship, stressing areas of mutual interests and reciprocal benefits. The improvement in these areas has not increased our influence substantially in New Delhi, however; nor did we expect it to. US concerns about the spread of nuclear weapons to the subcontinent, Indian power projection ambitions, India's restrictive trade practices and Indo-USSR ties (especially the military supply relationship) have acted as constraints on the relationship.

Soviet withdrawal and the fall of its puppet regime will largely put behind us our differences with India on Afghanistan policy, long an irritant in our relationship. (b)(1)

(b)(1) The removal of the divisive issue of Afghanistan, along with the advent of a democratically elected government in Pakistan, will also improve the prospects for a thaw in Indo-Pakistani relations.

Key constraint: US trade legislation and Congressional sentiment make initiation of a review of major trade sanctions against India highly likely within 2-3 months. There is a strong probability that "special 301" sanctions (under Section 301 of the new Trade Act) directed at India's inadequate protections of intellectual property rights will be initiated and adopted by the end of 1989. Furthermore, "super 301" sanctions could be considered against a range of activities, including import licensing, investment and insurance (see Tab A). These are areas in which the GOI is making progress, and will probably continue to move in the direction we favor.

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Option 1: Continue to seek slow, steady improvement in Indo-U.S. relations, concentrating on trade and non-military technology.

This policy is basically the one being pursued now by the USG. We concentrate on our economic relations while indicating approval of India's general policy in the region and normally not seeking to block GOI regional political initiatives. We would seek limited expansion of our ties with the Indian military establishment, continue to participate in the Light Combat Aircraft project, and continue to supply less high performance weapons under clear guidelines. We would encourage visits, especially by senior military officers, to create familiarity between the two military establishments. We would continue our limited bilateral assistance, support effective multilateral bank lending for India, and maintain the ongoing program of science and technology exchanges. We would continue to encourage GOI reduction of trade and industrial barriers and investment restrictions.

One advantage is that we can pursue this kind of limited improvement along with a continuation of our ties with Pakistan. Another is that we do not raise expectations in the GOI we are unable to meet.

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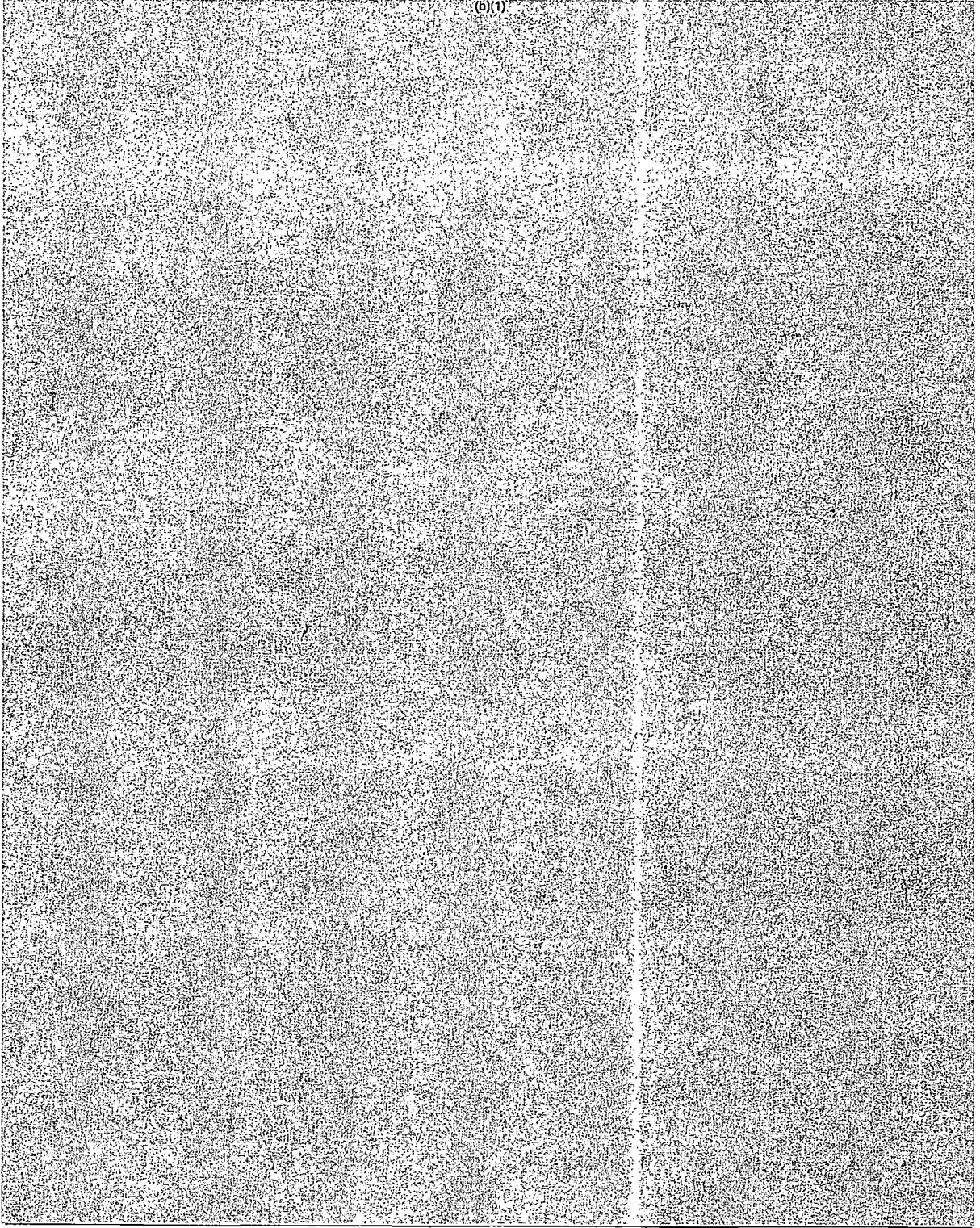
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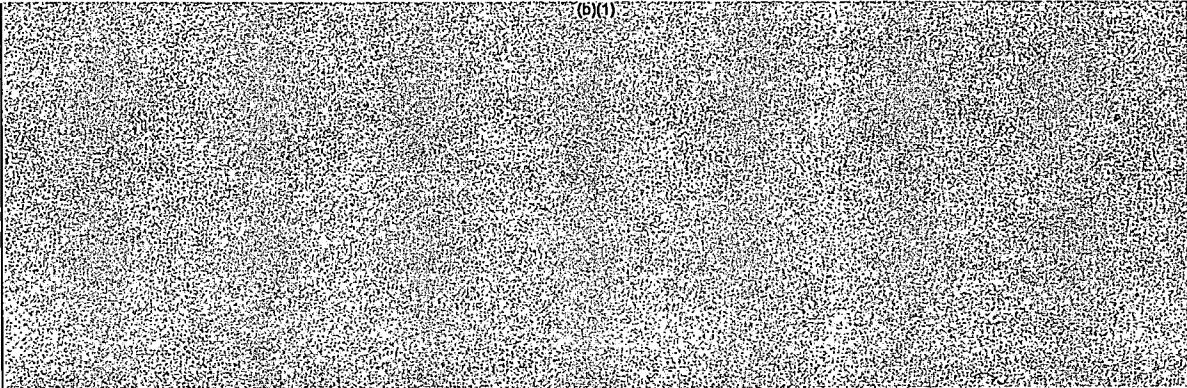


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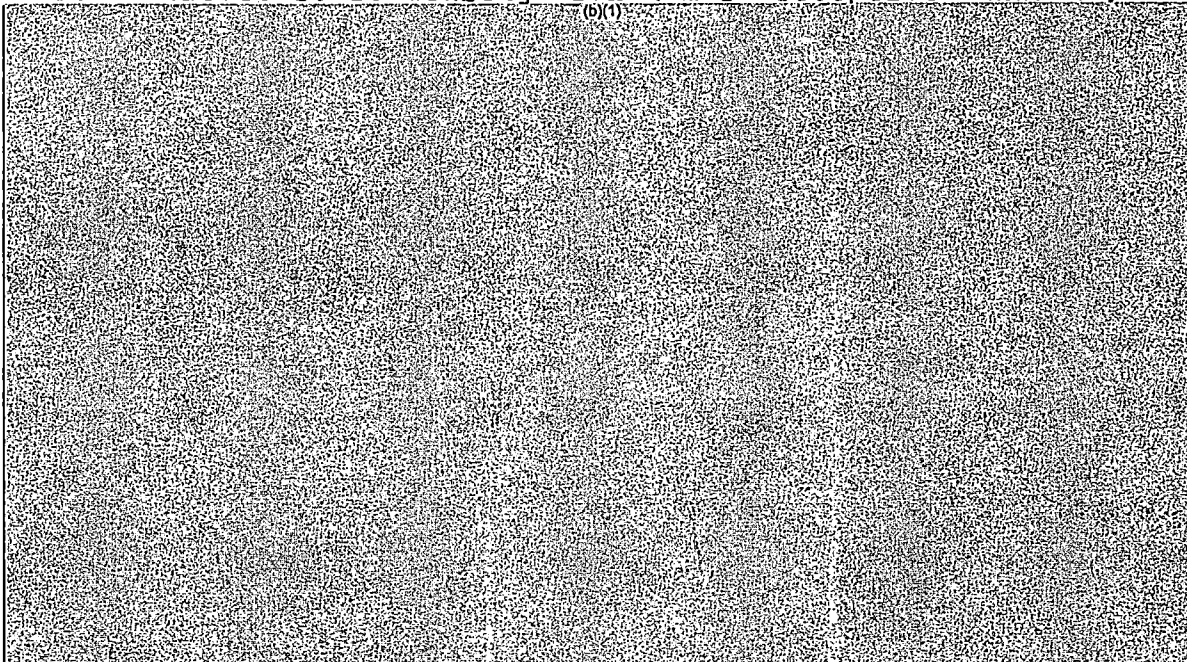
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US Role In Improving Indo-Pakistani Relations

Assessment: The prospects for improved Indo-Pakistani relations are better than they have been in the recent past. Within one month of Bhutto's accession, India and Pakistan concluded a no-first-strike-on-nuclear-facilities pledge that had been on the table for three years. With the coming to power of a civilian, democratic government in Islamabad, New Delhi believes it is dealing with a more receptive Pakistan,

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Option 1: Continue to play a quiet facilitative role.

This option relies on carefully selected low-key diplomatic initiatives. It has the advantage of being relatively low risk

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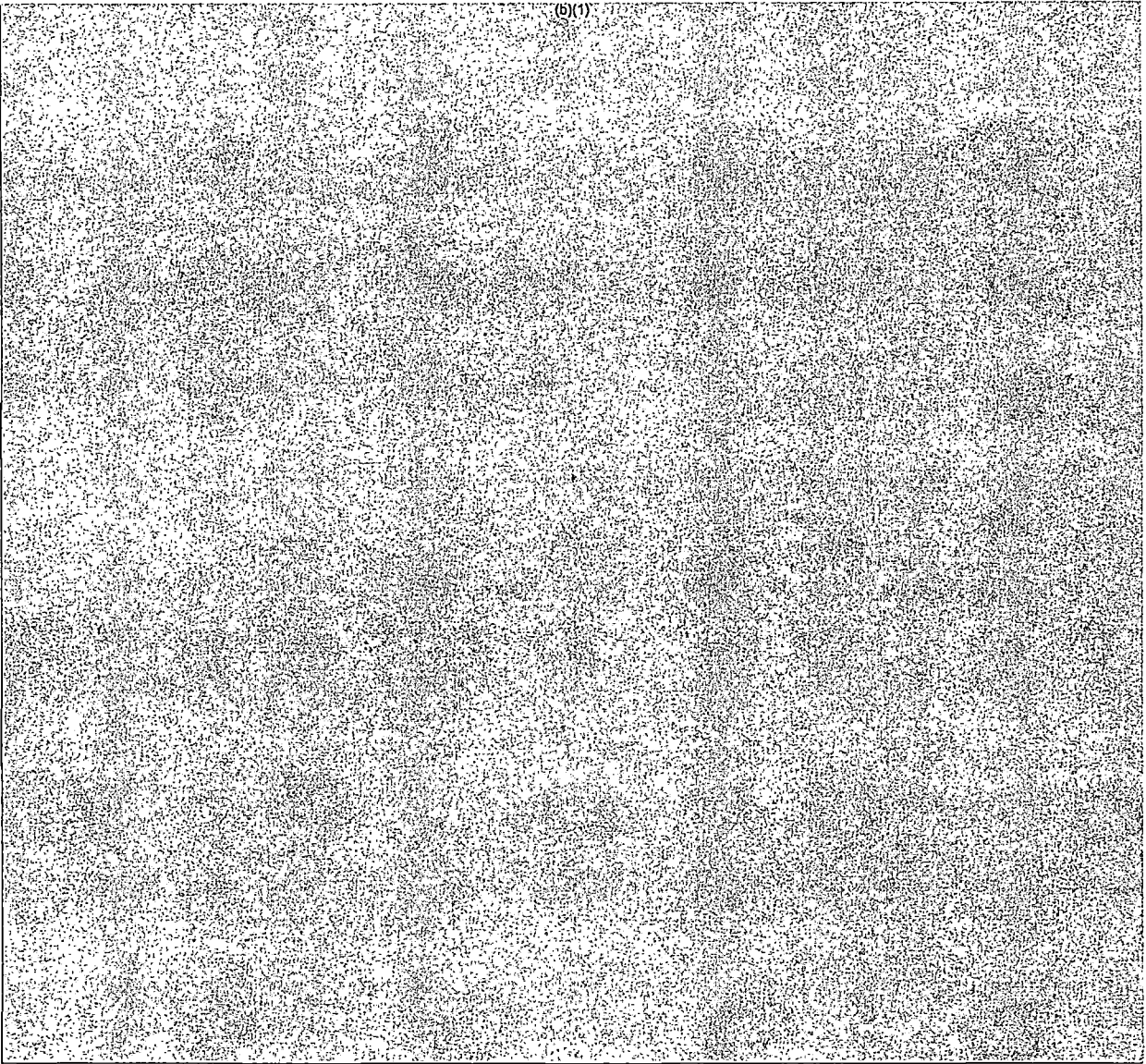
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as long as we maintain a low profile, and does offer the possibility of limited progress.

Under this option, we would encourage further normalization of relations between India and Pakistan, including high-level exchanges of visits, mutual disengagement from the Siachen Glacier and confidence-building military measures. We would continue to urge India and Pakistan to conduct a dialogue on the nuclear issue, building on the no-strike pact, while recognizing that progress will be difficult and slow.

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U.S. Policy Toward the Smaller Countries

Assessment: The smaller countries of South Asia--Nepal, Bangladesh, Sri Lanka--fear domination by the Indian colossus. Those fears are grounded in fact. India has used economic leverage (Nepal), intervention among ethnic communities (Bangladesh), and the implied threat of military force (Sri Lanka) in attempts to compel conformity with Indian foreign policy goals. The recent heavy GOI pressure on Nepal over the lapsed trade and transit agreements is a case in point. The smaller countries see the United States and a strong Pakistan as counterweights to Indian influence. None of the smaller countries is a major trading partner of the U.S. Our strategic interest in them is modest. We have traditionally assisted in their economic development and supported their national sovereignty.

The South Asian Association for Regional Cooperation (SAARC) provides a forum in which the voices of the South Asia's smaller countries can be heard. Since its inception in 1985, SAARC has become a useful vehicle for cooperation on a range of issues including drug trafficking and terrorism. Less formally, SAARC meetings provide an opportunity for conflict attenuation through high-level meetings. To date, however,

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India has opposed any formal collective security role for SAARC and has resisted use of the organization to deal with controversial political issues.

Option 1: Continue to support their autonomy and development.

Under this option--essentially a continuation of our current policy--we would continue to assure India's smaller neighbors of our support for their independence and economic development. As before we would use our economic assistance to influence movement towards political democracy and economic liberalization. We would support SAARC as an informal forum for conflict resolution.

This option has the advantage of reassuring Pakistan and the other South Asian countries, and sending a signal world-wide that our commitment to national sovereignty remains.

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U.S. Policy Toward Soviet Involvement in South Asia

Assessment: While India will continue to see the Soviet Union as its closest political supporter, it recognizes the limit to the benefits of economic cooperation with the USSR and has noted the failure of Soviet policy in Afghanistan. The US is again India's largest trading partner, and India is increasing purchases of Western technology. However, the Soviet Union remains India's major military supplier. The Soviet Union shares our non-proliferation concerns and has raised this issue with India, but has also taken steps, such as the sale of a nuclear power reactor to India without insistence on full-scope safeguards, that have undercut our non-proliferation efforts in South Asia.

In the wake of Soviet withdrawal from Afghanistan we expect to see a limited warming in Soviet-Pakistani relations, which will contribute to overall stability in the region. Improvement in Soviet-Pakistani relations will be constrained by the priority the Soviets will continue to give to India and, until the Najib regime falls, by continued Pakistani support to the Afghan resistance.

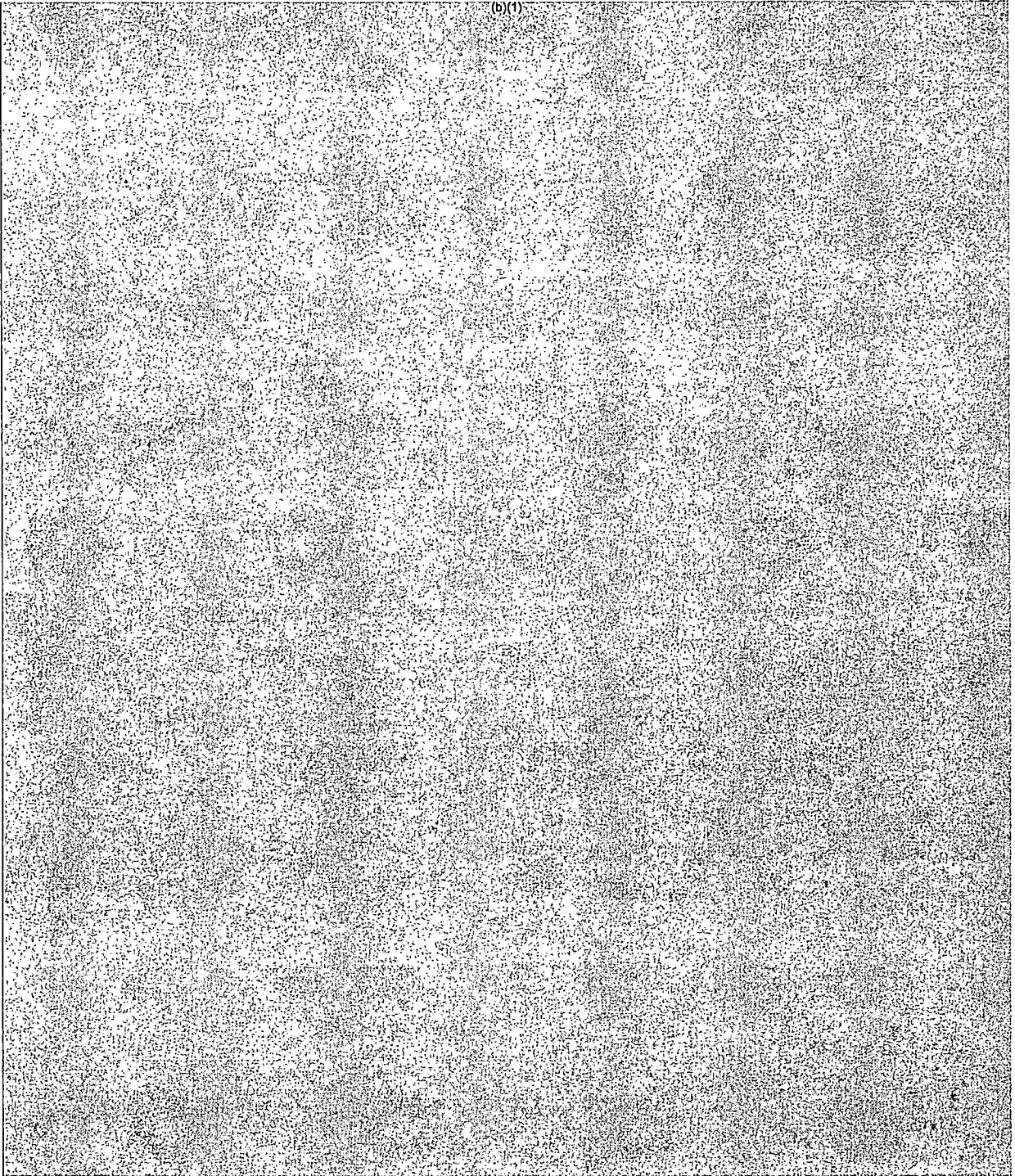
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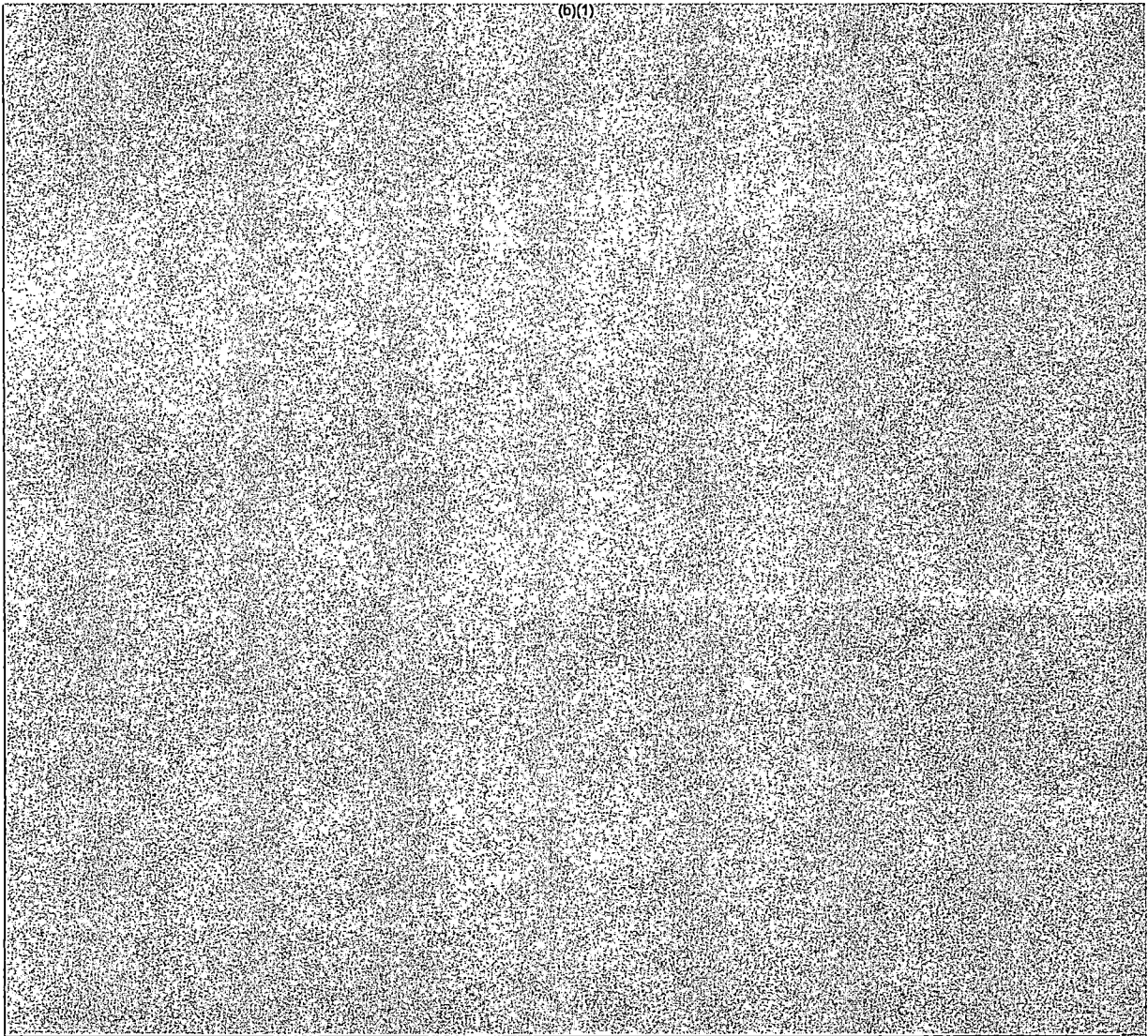


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ISSUE

The "Super 301" and "Special 301" exercises, mandated by the 1988 Omnibus Trade Act, must be concluded by May 30, 1989. TPRG approval is sought on proposals for handling both of these issues, that include an interagency process and initial consultations with a number of foreign governments.

RECOMMENDATION

It is recommended that the TPRG approve the proposed workplan in Attachment 1 for Super 301, and the approach for Special 301 outlined in Attachment 2. Approval of these plans will enable us to initiate consultations with foreign governments in both exercises.

BACKGROUND

Super 301

Procedural Aspects

By April 30, 1989 (and by March 31 next year), USTR must publish the annual National Trade Estimates (NTE) Report identifying, by country, significant foreign trade barriers, and estimating the value U.S. exports would have been but for those barriers. As in previous reports, the barriers included will not necessarily be limited to "unfair" practices; for example, high tariffs can be included, notwithstanding their consistency with the GATT.

Updated submissions on the 38 countries to be included in the NTE report have been prepared by USTR and are being reviewed. During the next few weeks each country section will be edited for consistency of trade impact estimates. This week USTR will develop a list of the practices that appear to be the most significant, on the basis of this year's draft NTE report. The draft report will be sent out for agency comments in early March and sent to the printer by April 3. The published report must be submitted to the President and to the Senate and House committees no later than April 30.

In the 30 days following publication of the NTE report, we must identify which of the barriers listed in the report are "priority practices," the elimination of which would have the most significant potential to increase U.S. exports. In doing so, we can consider the value of the precedent that would be created by liberalizing a barrier, even if the resulting dollar value of exports is insignificant. Finally, the law suggests that we take into account the number and pervasiveness of such practices in countries where there is the greatest potential for a high level of U.S. exports, and designate those countries' practices as priorities. By May 30 USTR must submit its list of priority

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countries and practices to the Congress, and publish it in the Federal Register.

We must then self-initiate separate 301 investigations on all of the "priority practices" of "priority countries," no later than June 20, 1989 (May 21 in 1990). During Congressional debates on the draft Super 301 legislation, there were differing views on how many countries are expected to be designated each year; the law itself does not specify a number. However, it is clear that some countries must be designated, and Members of Congress expect more than just one or two to be designated.

Once a 301 investigation has been initiated, it follows the regular procedures for such investigations. In addition, the law provides that the negotiations with the foreign government shall aim toward agreements that eliminate the priority practices within three years, with the expectation that U.S. exports will increase incrementally each year. If no agreement is reached, the regular section 301 deadlines apply for a determination whether the practice is actionable under section 301 and what responsive action the U.S. should take (a maximum of 18 months in investigations involving most trade agreement violations, and a maximum of 12 months in other investigations).

Unlike the Special 301 exercise on intellectual property, which continues each year, Super 301 is required only this year and next. Attachment 3 provides the statutory timeline for Super 301 during 1989 and 1990.

USITC has requested public comment, through a notice in the Federal Register, on what practices should be considered as "priorities"; submissions are due March 24. The request will be conveyed also to the advisory committees and certain other groups like the Chamber of Commerce, Farm Bureau, National Association of Manufacturers, Business Round Table, etc.

Policy Considerations

The Super 301 law sets forth a step-by-step process, arriving at a decision on priority countries only after adding up the numbers on trade impact and selecting the largest ones. Even so, we should consider at the outset whether there are some countries for which it is politically advisable to initiate at least one 301 investigation. We also should consider whether certain practices (e.g., Airbus subsidies) should result in a self-initiated 301, whether or not the country involved is likely to be a priority country candidate.

Early in the process the TPRG should decide whether we should select certain practices generically as priorities each year (e.g. agricultural subsidies, import licensing, distribution

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systems) and then select the countries where their elimination would most increase U.S. exports, or whether to follow more precisely the statutory scheme, selecting priority practices on the basis of trade impact, and targeting the countries with the most priority practices.

As we proceed to analyze foreign practices, the TPRG should decide whether to use Super 301 only to initiate new investigations, or also to create new initiatives on existing practices that have already been the subject of 301 action (e.g., Japan semiconductors, EC canned fruit, Argentina soybeans).

Policy guidance on these and other questions will be sought from the TPRG as the Super 301 exercise proceeds.

Special 301

Procedural Aspects

In section 1303 of the 1988 Omnibus Trade Act, Congress found that "international protection of intellectual property rights is vital to the international competitiveness of United States persons that rely on protection of intellectual property rights" and that "the absence of adequate and effective protection of United States intellectual property rights, and the denial of fair and equitable market access, seriously impede the ability of the United States persons that rely on protection of intellectual property rights to export and operate overseas, thereby harming the economic interests of the United States."

Annually, within 30 days after the NTE report is issued, the Trade Representative must:

- (1) identify those foreign countries that
 - (A) deny fair and effective protection of intellectual property rights, or
 - (B) deny fair and equitable market access to United States persons who rely upon intellectual property protection. (The law defines this as the denial of access, through the use of measures which (1) are a violation of international law or agreement to which the U.S. and the country are a party, or (2) constitute discriminatory nontariff trade barriers.); and
- (2) determine those countries so identified to be "priority countries."

Priority countries are only those countries whose policies, acts and practices identified as denying adequate and effective IPRs or fair and equitable market access are:

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- (A) the most onerous or egregious;
- (B) have the greatest adverse impact (actual or potential) on the relevant U.S. products; and
- (C) those countries that are not (i) entering into good faith negotiations, or (ii) making significant progress in bilateral or multilateral negotiations to provide adequate and effective IP protection.

Within 30 days after the identification of priority countries, the Trade Representative must initiate 301 investigations of their intellectual property practices. The timeframe this year for these special section 301 cases is set forth in Attachment 4.

A TPSC Task Force has reviewed the intellectual property regimes of 35 countries whose regimes are potentially vulnerable under the statutory criteria of the Special 301 provisions. It is the view of most, but not all, agencies that the next step, based on the information gathered, is to contact most of the 35 countries whose IPR regimes have been reviewed, following the approach outlined in Attachment 2.

Policy Considerations

Congress was clear in its statement of purpose for the "special" 301 process: "to provide for the development of an overall strategy to ensure adequate and effective protection of intellectual property rights and fair and equitable market access for United States persons that rely on protection of intellectual property rights." Our objectives are:

- o to use the procedures in the law to build a consensus with the private sector and the Congress on our priorities for the use of our resources in the 301 context; and
- o to use the leverage it provides in a constructive way to enhance our multilateral negotiating efforts in the Uruguay Round and elsewhere, and also in bilateral negotiations.

Since this is a continuing process and one for developing a consensus strategy for improving IP protection and market access, our consultations and contacts should be with all countries that have been identified as having IP problems. Our tactics and objectives would necessarily vary from country to country. Clearly our credibility in the consultations and our ability to build a consensus with the private sector and Congress necessitates a conscientious and tough review of the problems we face in the area.

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