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FM DELHI 261115Z MAR 81.

TO PRIORITY ISLAMABAD (FOR PRIVATE SECRETARY)

TELEGRAM NUMBER 26 OF 26 MARCH.

INFO ROUTINE WASHINGTON, FCO.

MRS GANDHI'S INDIA

1. IN CONNECTION WITH YOUR VISIT TO ISLAMABAD AND THE PRIME MINISTER'S FORTHCOMING VISIT HERE, YOU MAY LIKE TO HAVE THE FOLLOWING ASSESSMENT OF THE INDIAN SCENE.

DOMESTIC

2. MRS GANDHI HAS RECOVERED FROM THE TRAUMA OF SANJAY'S DEATH. SHE SHOWS AN IMPROVEMENT BOTH IN LOOKS AND IN EASE OF MANNER OVER A YEAR AGO. RAJIV IS IMPORTANT ALREADY AND BECOMING MORE SO, THOUGH I EXPECT HIM TO TAKE A LOW PROFILE FOR SOME TIME. HE IS SENSIBLE AND A GOOD INFLUENCE.

3. MRS GANDHI IS SUPREME BOTH IN HER PARTY AND IN THE COUNTRY. THE ONLY WELL THOUGHT OUT CHALLENGE COMES FROM VAJPAYEE (FORMER JANATA FOREIGN MINISTER) BUT AT PRESENT HE LACKS A SUFFICIENTLY LARGE BASE TO BE SERIOUSLY TROUBLESOME. MRS GANDHI HAS REAFFIRMED HER AUTHORITY IN THE PARTY BY SACKING HER SENIOR CABINET MINISTER, A MOVE WHICH IS WIDELY ACCLAIMED. THIS TAKEN TOGETHER WITH SOME GOOD APPOINTMENTS OF ADVISERS AND CIVIL SERVANTS HAS HALTED THE IMPRESSION OF DRIFT.

4. THERE HAS BEEN AN UPTURN IN SOME CRUCIAL PRODUCTION FIGURES EG. POWER. ALTHOUGH THE FOREIGN EXCHANGE RESERVES ARE DECLINING THEY REMAIN GOOD. AN ASTONISHING INFLOW OF REMITTANCES FROM THE GULF EQUALS INDIA'S RATHER LARGE DEFICIT ON TRADING ACCOUNT. HOWEVER THE FLOW OF REMITTANCES COULD BE CHECKED AT ANY TIME. THE AGRICULTURAL PROSPECTS LOOK GOOD AT PRESENT.

FOREIGN

5. MRS GANDHI STICKS TO HER BELIEF THAT FRIENDSHIP WITH THE SOVIET UNION IS NECESSARY FOR INDIA. NEVERTHELESS, SHE IS PREPARED FOR A CAUTIOUS STEP-BY-STEP IMPROVEMENT OF RELATIONS WITH CHINA. MRS GANDHI IS PRIVATELY MUCH LESS CONCERNED ABOUT THE POSSIBILITY OF A NEW THREAT FROM PAKISTAN WITH OR WITHOUT CHINESE SUPPORT THAN SOME OF HER PUBLIC UTTERANCES MIGHT SUGGEST. SHE DOES NOT WISH TO INTERVENE IN PAKISTAN. HOWEVER, SHE DOES NOT LIKE MILITARY REGIMES AND DISTRUSTS ZIA'S INTENTIONS. SHE THINKS HE MAY FALL SOON, BUT WOULD BE REPLACED BY ANOTHER GENERAL. HER BELIEF THAT ZIA IS TRYING TO PRODUCE A NUCLEAR WEAPON IS AN IMPORTANT REASON FOR HER DISTRUST OF PAKISTAN. IF AND WHEN THE PAKISTAN NUCLEAR PROGRAMME SEEMS TO BE MAKING PROGRESS HER REACTION COULD BE VERY STRONG, BUT SHE WILL PROBABLY WANT TO KEEP HER OPTIONS OPEN UNTIL THE LAST MOMENT.

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/6.MRS GANDHI

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6. MRS GANDHI THOROUGHLY DISLIKES THE RUSSIANS BEING IN AFGHANISTAN, BUT DOES NOT BELIEVE THEY WILL GO AWAY. SHE DISTRUSTS THEIR INTENTIONS, BUT DOES NOT BELIEVE THEY PLAN EARLY INCURSIONS INTO PAKISTAN OR IRAN. SHE IS CONCERNED TO STAY CLOSE TO THE ARABS BOTH BECAUSE OF THE SECURITY AND PRICE OF OIL IMPORTS AND BECAUSE OF THE POTENTIAL EFFECT OF ISLAMIC SENTIMENT ON THE COMMUNAL SITUATION IN INDIA.

7. MRS GANDHI EXPECTS RELATIONS WITH THE REAGAN ADMINISTRATION TO BE POOR. THE FOREIGN MINISTER SUMMONDED THE US CHARGE D'AFFAIRES THIS WEEK TO EXPRESS INDIA'S STRONG CONCERN ABOUT THE REPORTS THAT THE US WAS GOING TO ASSIST PAKISTAN MILITARILY AND REPEAL THE SYMINGTON AMENDMENT. SHE BELIEVES THE REAGAN ADMINISTRATION WILL PAY LITTLE HEED TO INDIA AND SHE WILL PROBABLY IN DUE COURSE HIT BACK. BUT SINCE SHE DOES NOT WANT TO BE IN THE RUSSIAN POCKET, SHE WILL WISH TO MAINTAIN GOOD RELATIONS WITH MOST OF WESTERN EUROPE AS A COUNTERWEIGHT TO THE SOVIETS. MRS GANDHI DOES NOT PLACE MUCH RELIANCE IN THE NON-ALIGNED OR IN NORTH/SOUTH^H NEGOTIATIONS, BUT SHE THINKS IT IS RIGHT THAT INDIA SHOULD PLAY A PROMINENT AND RESPECTED ROLE IN BOTH. THE INDIAN CONDUCT OF THE NON-ALIGNED FOREIGN MINISTERS CONFERENCE HAS REDOUNDED TO HER CREDIT.

THOMSON

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