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THE SITUATION IN THE FAR EAST

Report by the Expert Working Group

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JAPAN

Economically, as well as politically, Japan is the success story of Asia. Reduced to penury at the end of the war, she has combined her own native skills and energy with the generous aid given by the United States in the immediate post-war years to rebuild an economy which is now the envy of all Asian and, indeed, many Western countries. Her industry is flourishing and she has made great strides in technological fields. Her social advances have been equally spectacular. Her standard of living, which at the height of her pre-war prosperity was still, for the large bulk of the population, only at a little better than subsistence level, is now comparable in purchasing power and in the availability of consumer goods to that of the industrialised European powers. Although she has not formally adopted the principle of the Welfare State, her system of social security is effective and comprehensive; her agriculture, increasingly mechanised and scientific, is prosperous; her exports flourish and her balance of payments has greatly improved.

2. All these developments have taken place without any serious political dislocation. Japan's Government is stable and though ministerial posts change frequently, the conservative Liberal-Democratic Party is firmly in power and likely to remain so for the foreseeable future. In external affairs, her policies are moderate and sensible.

3. This does not mean that Japan faces no difficulties. She relies on imports for the large bulk of her raw materials and is heavily dependent upon North America and Western Europe for outlets for her manufactured products. She would be particularly vulnerable to any international trade recession. She is rightly anxious lest the European Economic Community should adopt a serious effort to establish regular GATT relations with Western European countries and to this end has done much to suppress the trade malpractices, such as copying of patents and the supply of manufactures below contract standard, which had previously earned her a bad name. In order to widen the base of her trade, she seeks to improve her economic relations with Communist China, the Soviet Union and other Communist countries. She has so far firmly resisted the attempts of China to extract political concessions from her, in return for the prospect of greater trade.

4. Politically also, Japan feels the necessity of broadening her international contacts. She remains very friendly with and closely allied to the United States and in spite of occasional ups and downs, her alliance with America remains the cornerstone of her foreign policy. But she is steadily expanding her political relations with Western Europe, while at the same time trying to remain a faithful member of the Afro-Asian bloc. In specific situations, she attempts to act as a bridge between the Afro-Asians and the West. However, in general she finds herself drawing even closer to the West. Commercial considerations incline her to the

latter course, for the undeveloped Afro-Asian countries offer her insufficient outlets for her trade, but her fear of getting too closely involved causes her to maintain a certain reserve towards the West, especially in cold-war confrontation with the Soviet bloc.

5. Japan's political rôle in Asia is circumscribed by the fact that militarily, she is a negligible factor. She has far less actual military strength (though, of course, immeasurably more military potential) than such otherwise far less developed countries as, for instance, the Republic of Korea and Nationalist China. Japanese leaders are beginning to draw attention, albeit very cautiously, to the fact that military weakness means lack of political influence. But the anti-militarist feeling among the general Japanese public is still so strong that no Japanese Government would yet dare to adopt a policy of remilitarisation.

6. This fact need not cause the West concern. On the contrary, it is more in Western interests that Japan should continue to develop into a peaceful, stable and economically prosperous Asian country than that she should re-arm and thus again expose herself to the temptation of military adventures.

7. The fact that Japan is now a major Free World asset should not mislead the West into assuming that Japan's friendship can be taken for granted. Japan, in fact, still suffers from a certain sense of isolation, from a feeling of war-guilt and from a nagging suspicion that she is still not entirely accepted as a respectable member of the Free World club. Her experiment in democracy is still new and a change of policy either towards neutralism or towards alignment with Communist countries cannot entirely be ruled out especially if any major change in the international scene seemed to make it expedient. It is therefore a major Free World interest to support and befriend Japan, to make her feel a welcome member of the Free World community and to associate her more and more in Free World policies.

SOUTH KOREA

8. The military régime in South Korea remains firmly in power and its policies, though not always effective in execution, still appear to be dedicated to the cause of political, social and economic reform. Reports of plots against the government and factional disputes among the members of the military junta are disturbing, however, and suggest the possibility of further political instability. The régime is making progress on its plan to restore power to an elected civilian government in 1963, but present indications are that many of the military leaders are not prepared to surrender their authority and that they will try to devise constitutional and election procedures which will maintain their position.

9. South Korea is still far from economic viability and remains the largest single recipient of United States aid. Only limited progress has been made toward realising the régime's ambitious economic projects. However, there are some hopeful possibilities of a settlement of outstanding difficulties with Japan which would lead to closer economic relations between the two countries.

10. In its international policy, the Seoul Government is displaying great activity and is seeking to establish diplomatic relations with the greatest possible number of countries. Its chief concern at present seems to be to achieve a closer understanding with the new African States.

NORTH KOREA

11. The Communist régime of Kim Il Sung continues to hold power in North Korea and to inveigh against South Korea, the United States and the United Nations with its usual vehemence. It argues that reunification should be left "to the Koreans themselves", but in recent months has tended to concentrate its propaganda on the withdrawal of foreign troops from Korea.

12. After a year's delay North Korea, on 8th October, 1962 held its third nation-wide "elections" for its national parliamentary body, the Supreme People's Assembly, which has been increased from 257 to 383 members. The régime may attempt thereby to improve its image as a democratic country relative to South Korea.

13. The Pyongyang régime hitherto endeavoured to remain neutral in the Sino-Soviet dispute, but there have been recent indications that closer support is being given to Communist China.

14. North Korean claims of economic progress were at least partially justified as far as industry is concerned. In agriculture it is doubtful whether production rose at all in 1962.

INDONESIA

15. On 15th August, 1962, agreement was reached for the transfer - under United Nations auspices - of the administrative authority over West New Guinea to the Indonesians. The transfer is expected to be made by 1st May, 1963, and the agreement provides for a referendum by 1969 by which the native population will be given an opportunity to decide the political future of the territory. Although far from ideal, this agreement has averted the risk of a large-scale Indonesian military assault on West New Guinea. It is too early yet to be sure that the Indonesians will observe their various obligations under the agreement. However, it is certain that their ability to develop this territory will be severely restricted by their own internal political and economic difficulties.

16. The Communist Party (PKI) remains the largest single party in Indonesia. During the West New Guinea campaign the PKI took, as expected, an extreme attitude which fitted in well with Sukarno's plans and which was undoubtedly a popular line to take. The PKI must have benefited from the fact that the Soviet Union provided the arms (and credits) which, as the PKI can convincingly claim, gave substance to the Indonesian threat of military action. However, it seems very doubtful that the PKI will gain power in the foreseeable future.

17. The army is the only other major force in domestic politics and has probably been the decisive factor in denying the PKI an executive rôle in government. The armed services support Sukarno fully on most issues but have balked at any concessions to the PKI. Although the bulk of new Indonesian military equipment together with technicians and instructors has come from the USSR, it is thought that Indonesian military leaders are not necessarily more kindly disposed towards Communism. Now that the West New Guinea issue has been settled and the embargo on arms shipments from the West is to be lifted, there have been indications that the Indonesian forces are prepared to redress the balance between East and West in the matter of military assistance.

18. Now that the suppression of the internal rebellion is virtually complete and the question of West Irian has been settled, the Indonesian Government is faced with the need to attain its third goal: a higher standard of living for the people.

19. The economic difficulties facing Indonesia are alarming. Foreign currency reserves are dropping from a level already dangerously low. Exports have been dropping in price and volume. Food production has not improved with the result that imports of rice are rising and adding to the balance of payments problems. There have been reports that difficulties and friction have already developed over the repayment of Soviet credits used to acquire military equipment said to be worth almost \$1 billion. Food distribution has broken down through inadequate storage and transportation facilities. Inflation has been serious, particularly in the large cities, and the currency has continued to lose strength rapidly.

20. With the West New Guinea issue out of the way there is a possibility that the West can reassert its influence in Indonesia through offers of economic aid when the Indonesians are ready themselves to take some of the necessary measures to put their economy in order and to restore international confidence in their solvency.

21. Since the spring of 1962 Indonesia has been promoting a second Afro-Asian, or Bandung, Conference. The object of this initiative is largely to place Indonesia back in the centre of Afro-Asian affairs. The unenthusiastic response of several other Afro-Asian countries seems to confirm this view; the others see little need for another Bandung Conference. However, Indonesia can be expected to pursue its objective vigorously and with support from Communist China.

22. Indonesia remains an uncommitted country. Sino-Soviet bloc influence has increased and there is no immediate prospect that it can be checked or reduced. Western influence, even should Dutch-Indonesian diplomatic and commercial relations be restored, is not likely to be as great, and the opportunities for increasing it are limited.

LAOS

23. A new phase in the struggle over Laos was opened with the formation of the coalition government under Prince Souvanna Phouma on 23rd June, 1962 and the signing of the Geneva Agreements on Laos on 23rd July, 1962. With the establishment of the coalition government, large-scale hostilities were generally suspended although minor skirmishes and clashes continue to occur on a small scale. Negotiations among the three factions have not yet resulted in formal arrangements governing the cease-fire but a resumption of hostilities does not appear likely. So far the coalition government has made virtually no progress in establishing effective control throughout the country or in implementing its policies of national reunification, and each faction retains control over the areas it holds.

24. One of the prime concerns of the Laotian Government is to revive the national economy. To this end, the Minister for the Economic Development Plan has drawn up a programme which seems reasonable and realistic, but it is difficult, of course, to predict what chances it has of being put into effect.

25. In the field of foreign policy, the application of Article 1 of the Declaration on the Neutrality of Laos is proving particularly difficult. The Laotian Government announced on 21st September, 1962 that royal approval had been given to the appointment of the Ambassadors of Communist China, Poland, North Vietnam and Czechoslovakia. Diplomatic relations are also being established with Hungary, Bulgaria, Mongolia and Indonesia. It would be desirable if appointment of ambassadors of countries belonging to the Free World (New Zealand, Philippines, Malaya) were later to compensate for the present influx of representatives of the Eastern bloc.

SOUTH VIETNAM

26. There is evidence of an appreciable improvement in the military situation during the period under review. The recovery is primarily due to the increase in military resources, the planning of combined operations and an improvement in intelligence work. It has been made possible by the substantial increase in United States aid. However, the situation is still serious. Heavier losses have been reported on both sides. On several occasions the Viet Cong command has thrown in forces of battalion strength. An effort has been made by the enemy to adapt himself to the new tactics (in particular, the equipment of units with anti-aircraft

weapons for use against the United States army helicopters). On the other hand, the construction of "strategic hamlets" is proceeding rapidly and although not all of them are well-built or well-sited, very few of them have been destroyed by the Viet Cong. However, despite heavy casualties the Viet Cong order of battle does not seem to have decreased significantly, and it appears likely that infiltration through Laos may be continuing since the Laos settlement.

27. In June the Indian and Canadian members of the tripartite ICSC adopted, and the United Kingdom Co-Chairman unilaterally published, a Special Report on Vietnam. For some time previously the ICSC had been examining allegations by both North and South of breaches of the 1954 Geneva cease-fire agreements. The Report concluded that the North had violated the Geneva agreements by sending men, arms and supplies to the South in support of the communist guerilla campaign there, and by allowing the North's territory to be used for inciting, encouraging and supporting hostile activities in the South aimed at overthrowing the South Vietnamese Government. Furthermore the Report found that the Diem Government had received military aid which appeared to be in excess of the quantities permitted by the Geneva agreement and that it had entered into a factual military alliance with the United States. Although the Report did not draw any cause-and-effect relationship, it could be inferred that the increased United States assistance had been requested and provided in response to the North's intensified campaign of subversion and aggression.

28. The Report could thus be considered a landmark in the international consideration which has been given to the question of Vietnam. For the first time India took a substantive position against the North on a major question, and the Report should assist in bringing the Vietnamese picture into clearer focus, particularly among the uncommitted nations.

NORTH VIETNAM

29. Along with Moscow and Peking, North Vietnam continues to profess favour for various kinds of "political solutions" of the Vietnam question. The theme of unification of both North and South Vietnam appears to have been dropped for the moment in favour of a call for the removal of President Diem, the withdrawal of American aid and the "neutralisation" of South Vietnam. This is why the Hanoi Government has suspended the activity of the South Vietnam Marxist-Leninist Party, whose political label is too conspicuous, and is unreservedly backing the "Front for the Liberation of the South", which aims at uniting the opponents of President Diem's Government under the neutralist banner.

30. Neither the representatives of the Front in the South nor the authorities in Hanoi, Peking or Moscow have been pressing for an international conference on Vietnam, as had been widely expected following conclusion of the Laos agreements. Thus the communist bloc appears to consider that the time is not yet ripe for an international conference on Vietnam but that in due course it may ripen.

31. North Vietnam continued to show a strong desire to stay in the good graces of both the Soviet Union and Communist China, as exemplified by its maintenance of cordial relations with Albania and Ho Chi Minh's trip to Moscow. Conversely, the Sino-Soviet rivalry for influence over North Vietnam's policies remained. The Soviet Union announced a substantial new grant of economic assistance to North Vietnam, and another high-ranking Chinese Communist goodwill mission was sent there. Chinese "experts" in North Vietnam outnumber those from Russia or East Europe, but the material aid which North Vietnam receives from Russia and East Europe is much greater than that which it receives from China.

CAMBODIA

32. Conflicts between Cambodia and Thailand and Cambodia and South Vietnam are deeply rooted in history. Incidents have multiplied over the past year, especially on the South Vietnamese border. This is no doubt attributable to the intensification of guerilla and anti-guerilla activities in South Vietnam since the middle of 1961. Tension with Thailand has also been increasing since the International Court's recognition of Cambodia's rights over the temple of Preah Vihear.

33. Considering his country to be threatened, Prince Sihanouk sent a message on 20th August, 1962 to the signatory powers of the Laos Agreements. The Khmer Head of State called for a new conference with a view to obtaining recognition and an official guarantee of the neutrality and territorial integrity of the Khmer kingdom.

In view of the unforthcoming replies, Prince Sihanouk has dropped the idea of a conference for the time being and has proposed the procedure of individual visits which would lead to the signing of an international agreement. The Khmer Government is now preparing the necessary drafts. Prince Sihanouk has threatened that, as a last resort, Cambodia would throw itself into the Sino-Soviet bloc's arms to preserve its national identity. Although Sihanouk is unwilling to adopt this extreme course of action, he may feel pushed to grant concessions to the Communist countries which would increase Communist influence in Cambodia to a dangerous point, unless relations with Thailand and South Vietnam can be substantially improved.

34. In the event of neutralisation, the question of the status of foreign military missions in Cambodia may be reopened. On the other hand, Prince Sihanouk has published a statement to the effect that he would not refuse aid "from any country whatsoever" and that he hoped to continue to receive United States aid. He revealed that the Soviet Government had offered to send him two destroyers; instead he had asked for MIG aircraft and AA guns. As regards China, Chairman Mao Tse-tung is believed to have promised him military support to defend Cambodia should she be attacked by South Vietnam.

35. The Cambodian standard of living is low, but there are no signs that poverty is engendering political unrest. Prince Sihanouk remains firmly in control and the Cambodian experiment continues to rest mainly on his personal popularity.

THAILAND

36. There was little change in the political situation during the past six months and Prime Minister Sarit remains in firm control of the government. A significant change in the domestic situation is unlikely unless a serious deterioration in Sarit's health removes him from the scene.

37. Thailand remains a staunch anti-Communist ally and is likely to remain so for some time despite recent ill-tempered threats to take a more independent line. Thai leaders were angered over the International Court decision in the temple dispute with Cambodia and seem to have tried to believe that the United States was partly responsible for the decision. Further, Thailand was disillusioned at the turn of events in Laos and considers that country lost to Communism. However, the Thais were encouraged when the United States and other SEATO allies sent forces into Thailand when the Communist threat from Laos seemed very real. This action helped to restore some Thai faith in SEATO, *but they are still pressing for this matter to be discussed in SEATO* to prevent paralysis through the "veto" of one or two non-Asian members.

38. The emotions that continue to play an important rôle in Thai attitudes toward Cambodia have been further aggravated by Sihanouk's charges that the Thai were guilty of aggression against Cambodia in connection with border incidents. In response to Cambodia's allegations and that nation's request for international guarantees of its neutrality the Government of Thailand proposed that a representative of the United Nations Secretary General visit the area to determine responsibility for border incidents and generally bring stability to the area. The Secretary General, with Cambodian agreement, is now acting on this proposal. Thai sensitivity over Cambodia was further reflected in criticism of the United States for its military assistance to Cambodia.

39. Thailand signed a formal trade agreement with the Soviet Union. This reflects a pique, not any shift in foreign policy.

THE PHILIPPINES

40. The Philippine Government continues to give support to SEATO, but Philippine confidence in SEATO has been shaken by the Laotian settlement and criticism has been directed mainly against France and the United Kingdom as lukewarm participants in the struggle against Communism in South East Asia. President Macapagal has also introduced a new element of disturbance in South East Asia by putting forward a claim to North Borneo, now a British colony but soon to be part of the new and independent Federation of Malaysia.

Another suggestion was his idea of a Greater Malaysian confederation, comprising the Federation of Malaya, the Philippines, Singapore, Sarawak, Brunei and North Borneo. The President said that this great arc of islands would form a formidable geographical, cultural, economic and political unity that would be a powerful force for freedom, progress and peace, not only in Asia but in the world. Reactions in the Philippines and elsewhere have been cautious.

41. Internally there is little change. President Macapagal has done his best to initiate a régime of reform which has shown some success in his attack on political patronage, official graft and corruption. Disguised economic factors threaten the administration. Foremost amongst these is the inheritance of a legacy of government deficit - financing from the former Nacionalista administration, who had indulged in wild expenditure during their last year of office. The Philippine Government has carried through very effective measures to improve its foreign exchange position but has not been able to produce either a co-ordinated economic policy or even the machinery for producing such a policy. Nevertheless, the stability of his régime is not threatened.

MALAYA and "GREATER MALAYSIA"

42. Malaya's interest has continued to centre on creating a Federation of Malaysia. Subject to a formal agreement which has still to be signed by the United Kingdom and Malay Governments, and which will not only provide for the transfer of sovereignty over the territories of Sarawak, North Borneo and Singapore but will also lay down the conditions governing the relations between Singapore and the new Federation, defence and the status of the United Kingdom bases, and will define the arrangements for safeguarding the interests of the populations of North Borneo and Sarawak, "Malaysia" is due to come into being on 31st August, 1963.

43. The Philippine claim to North Borneo may complicate the formation of Malaysia. The official Malayan position is that the problem is one that must be resolved by the Philippines and the British Government although the Tunku Abdul Rahman has indicated some interest in a plebiscite in the area, to be held, however, only after Malaysia has been established. The Tunku has been angered by the Philippine claim and has indicated that Philippine intransigence could affect Malaya's participation in the "Association of South-East Asia" in December 1962 - Indonesia has remained comparatively silent on the concept of Malaysia in order to maintain freedom of action and possibly promote its interests in the Malaysian area sometime in the future.

44. Malaya's foreign policy has continued to be pro-Western and Commonwealth forces are still stationed in Malaya. Although in May 1962 the Prime Minister opposed the use in Thailand of Commonwealth troops stationed in Malaya he permitted aeroplanes carrying Commonwealth troops to Thailand to refuel at Butterworth.

Relations with Indonesia have continued to be cool, largely because of Indonesia's reservation about the creation of Malaysia. Malaya continues to support the "Association of South-East Asia" (ASA). Prime Minister Rahman has recommended that ASA include, in due course, Burma, South Vietnam, Laos, Cambodia and Indonesia.

45. Malaya's second Five-Year Plan, like the first, has as one of its aims the strengthening of the already well-developed rubber industry while at the same time diversifying and expanding agriculture through drainage, irrigation and land development projects. With the creation of Malaysia in 1963 the development sphere will be broadened to include Singapore and the Borneo territories. The World Bank has been requested to make a study of the economic requirements of the new federation. Malaya has received no economic or military aid from the Communist bloc, although trade has reached fairly substantial proportions in recent years.

BURMA

46. General Ne Win's Revolutionary Council has now been in power seven months since the coup of 2nd March. They do not regard themselves, as they did in 1958, as a caretaker government primarily concerned with internal security and sound administration. On the contrary, they have reached the conclusion that parliamentary democracy has failed to solve Burma's problems, particularly those of the minorities, and of economic development. The manifesto of the Revolutionary Council, "the Burmese way to Socialism", is based on Marxist principles, advocating a socialist economy based on the nationalisation of the means of production, the abolition of the profit motive, and primary reliance on the peasants and workers to achieve Burma's objectives. But in external as in internal matters, Burma has taken no irrevocable steps towards Communism and it has become more likely in the past few months that Burma will probably not experience far-reaching revolutionary changes.

47. Although Communist China's economic stake in Burma is expanding, she has made no recent move to increase nor influence, beyond fulfilling the measures of economic aid already sanctioned under U Nu's régime. The new government has voluntarily decided to dispense with the assistance given to Burma by private organizations such as the Asia Foundation and the Ford Foundation. However, in order to stimulate the national economy, it intends to use the credits and technical aid offered by countries in either camp without showing any preference. Total Communist bloc aid to Burma has amounted to some \$95 million. Burma has not as yet accepted military aid from the bloc. Western aid to Burma has been provided by the United States, the British Commonwealth countries (through the Colombo Plan), Japan (through reparations), and the United Nations (principally from the IBRD).

INDIA

48. Mr. Nehru firmly retains leadership and there are no signs of instability in his present Government. Nevertheless speculation is now constant and open about an eventual successor. The uncertain state of his health has contributed to this speculation.

49. A recent reorganization of the leadership of the Indian Communist Party indicates a tendency to move further to the left. It is still too soon to judge whether this move to the left will have significant repercussions on the behaviour of this group. It is generally thought that the ICP is preparing to step up its opposition in the field of domestic policy, but that it will allow its new leaders to continue to support Pandit Nehru's stand in the Sino-Indian conflict, which will have an increasingly adverse effect on the influence of the pro-Chinese wing.

50. Relations between India and China are again going through a critical period. The Sino-Indian treaty of 1954 on Tibet, which expired in June, has not been renewed. At Ladakh last May, the Chinese troops occupied a number of positions, several of which are located in an area to which China had not hitherto laid claim. For its part, the Indian Army stationed troops in the same area. Some fighting ensued. A major Chinese attack was launched in October in the North-East Frontier Agency (NEFA) area after the Indians accused the Chinese of having deliberately advanced military outposts south of the McMahon line. Offers by the Chinese to discuss the dispute had been turned down by the Indians on the grounds that no discussion could be held as long as the Chinese were on Indian territory. Mr. Nehru has publicly declared his intention of driving the Chinese back across the frontier at whatever cost.

51. After suffering a humiliating mauling from the Chinese in NEFA and further setbacks in Ladakh the Indians have declared a state of emergency. The causes of their military setbacks to date include the Chinese superior logistic position. There is no doubt, however, that Indian unpreparedness was an important factor and much of the blame for this is being publicly levelled at Mr. Krishna Menon as Defence Minister. The Indians clearly underestimated Chinese military capabilities in this area. The fighting will now probably slow down but Chinese ability to fight effectively in the Korean winter has raised some doubts as to whether the military front will shut down completely. The supply problem, however, will presumably much reduce the scale of the fighting.

52. The battle area is high, remote and bleak, but Chinese advances south of the McMahon line have raised the possibility that, if they wish to do so, the Chinese Communists might be able to continue through the mountain barrier and launch a major invasion of India proper. A negotiated settlement of the dispute still appears fairly unlikely in the near future since India's rigid past

attitude to the Kashmir question and tough Indian pronouncements recently about the border with China, combined with the pressure of aroused Indian public opinion, may make it impossible for the Indians to make more than very minor concessions. Although the recent Chinese military thrust was probably simply a pre-winter tactical response to Indian stimulation, the Chinese successes are unlikely to make the Indians any more conciliatory.

53. India has appealed successfully for immediate Western arms shipments. Chinese aggression could well have some effect on India's relations with the West and also perhaps with the USSR, which has publicly but cautiously come down on the Chinese side in the dispute. This may well affect the expected sale of Russian MIG jet-fighters to India.

54. Some anxiety has been felt in India at the possible effects of United Kingdom entry into the EEC and, influenced by a strong determination to regain and retain the leadership of the "uncommitted" world, India has been departing again from the relatively moderate line which she was adopting on "colonial" questions a year ago. But this attitude could now be influenced by her important need for Western arms.

55. Indian policy towards and relations with other Asian countries is still highly coloured by her relations with Pakistan. Indeed these, combined with her struggle with China, largely overshadow all other aspects of her international relations. There has been no change in the position over the Kashmir dispute since it was debated in the United Nations earlier this year. There has been an increase in incidents across the cease-fire line and a tendency for both sides to replace police control in the area with military forces. Some détente with Pakistan over Kashmir to help India's military position vis-à-vis Communist China would clearly be desirable but appears unlikely.

56. King Mahendra of Nepal is incensed over what he regards as India's deliberate failure to impose tighter security measures on Nepalese rebels operating from Indian territory. Indian relations with Indonesia have also worsened. In Djakarta, the Indonesians subjected Indian representatives to mob indignities following some differences of view over what countries should be represented at a meeting of Asian athletic teams.

57. India's Third Five-Year Plan has proceeded at a slow and uncertain pace. While there have been some bright spots in recent months, progress in carrying out the Plan has been beclouded by a sagging investment programme, declining foreign exchange reserves, an inability to expand export markets, and new evidence of population increases of previously unknown magnitudes. Moreover, Indian officials have been shaken by the delay encountered in determining the level of Western Consortium aid. A lower, but steadier, level of aid continues to be received from the Soviet bloc. The Five-Year Plan's objectives may well be endangered by a diversion of resources to military ends if the conflict with China continues on the present escalated scale. Additional Western economic assistance may be required.

PAKISTAN

58. The most important initiative which Pakistan undertook in foreign affairs in 1962 was publicised in the announcement on 3rd May that Pakistan and Communist China would negotiate to demarcate provisionally the frontier between Sinkiang and northern Kashmir. This decision not only constituted a challenge by the two parties to India's claims to sovereignty over the whole of Kashmir, but it also led Pakistan to refuse a United States' request for the despatch of a token force of troops to Thailand. She did agree, however, to a United Nations' request for the assignment of a force of Pakistani troops to support the United Nations' interim administration in West New Guinea.

59. Increasing hostility between India and Pakistan has been evident in the deterioration of their relations along the Assam, Tripura and East Pakistan frontiers. Pakistan showed concern at what it regards as India's increasing willingness to use force, if necessary to achieve foreign policy goals; for its part, India's hostility became intensified by the assessment that Pakistan was trying to exploit Communist China's influence in the region to win ground on the Kashmir question.

60. The character of national politics changed in Pakistan with the end of martial law on 8th June, 1962 and the inauguration of controlled political activity under a new constitution. This change led the régime into a series of tactical shifts on the domestic front and to changes of emphasis in foreign policy. Pakistan officials, for example, no longer tried to meet head-on popular criticism of SEATO but chose to de-emphasise its military significance while stressing instead SEATO's economic and social importance for Pakistan. This new rationale reflects a decision of the régime to play down the security aspects of Pakistan's multilateral defence arrangements in favour of greater dependence on Pakistan's bilateral ties with the United States.

61. Large scale Western aid to Pakistan continued but the Soviet Union also extended its search for oil to East Pakistan.

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