

## Message Text

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20

ACTION NEA-16

INFO OCT-01 ISO-00 IO-14 SAJ-01 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03

SS-20 USIA-15 OMB-01 DRC-01 /108 W

----- 044876

R 060815Z MAY 74

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 6373

AMEMBASSY KABUL

INFO AMEMBASSY ISLAMABAD

AMEMBASSY NEW DELHI

AMEMBASSY DACCA

C O N F I D E N T I A L TEHRAN 3593

E.O. 11652: GDS

TAGS: PFOR, IR, IN

SUBJ: MRS GANDHI'S VISIT TO IRAN

REF: TEHRAN 3397

1. SUMMARY: FOUR-DAY VISIT OF PRIME MINISTER GANDHI AND HIGH-LEVEL DELEGATION TO IRAN ENDED MAY 2 WITH ISSUANCE OF COMMUNIQUE INDICATING AGREEMENT ON BROAD RANGE OF POLITICAL MATTERS AND MUTUALLY BENEFICIAL ECONOMIC ARRANGEMENTS. BOTH SIDES ARE PLEASED WITH OUTCOME OF VISIT AND BELIEVE IT WAS SIGNIFICANT FURTHER STEP IN OVERCOMING PAST MISTRUST AND DEVELOPING CLOSER, MORE COOPERATIVE RELATIONS IN FUTURE. END SUMMARY

2. PRIME MINISTER GANDHI LEFT TEHRAN FOR HOME MAY 2 AFTER FOUR-DAY OFFICIAL VISIT AT INVITATION OF PRIMIN HOVEYDA. DURING VISIT MRS GANDHI HAD TWO AUDIENCES WITH SHAH AND TWO ROUNDS OF TALKS WITH HOVEYDA, AS WELL AS DISCUSSIONS WITH FINANCE AND ECON MINISTER ANSARY AND FONMIN KHALATBARI. ASSISTING MRS GANDHI IN THESE TALKS WERE FONMIN SWARAN SINGH, FONSEC SHRI KEWAL SINGH, SECRETARY TO PRIMIN DHAR, MINEXTERNAL AFFAIRS ECON CHIEF SANYAL, AND AMBASSADOR TO IRAN SATHE. ON CEREMONIAL SIDE MRS GANDHI WAS GUEST OF HONOR AT

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SERIES OF SOCIAL FUNCTIONS INCLUDING STATE BANQUET AND LUNCHEON

HOSTED BY IMPERIAL MAJESTIES, DINNERS OFFERED BY PRINCESS FATEMEH AND PRIMIN HOVEYDA AND HOUR-LONG DEPARTURE CEREMONY DURING WHICH ECONOMIC COOPERATION AGREEMENT BETWEEN THE TWO COUNTRIES WAS SIGNED BY ANSARY AND SWARAN SINGH.

3. AN EIGHT-PAGE COMMUNIQUE WAS ISSUED ON DAY OF DEPARTURE WHICH, ACCORDING TO MFA, DESCRIBES FULL RANGE OF TOPICS DISCUSSED (TEXT FOLLOWS BY AIRGRAM). IMPORTANT POINTS ON POLITICAL SIDE INCLUDE FOLLOWING: (A) MRS GANDHI EXPLAINED INDIAN INITIATIVES TO NORMALIZE SUBCONTINENT RELATIONS AND OUTLINED TRIPARTITE AGREEMENT: HOVEYDA EXPRESSED SATISFACTION OVER THOSE DEVELOPMENTS AND COMPLIMENTED PRIME MINISTERS OF THREE COUNTRIES FOR THEIR STATESMANSHIP. (B) BOTH SIDES REAFFIRMED SUPPORT FOR EFFORTS BEING MADE TO SETTLE ARAB-ISRAEL CONFLICT AND CONSIDERED THAT JUST SETTLEMENT COULD BE ACHIEVED ON BASIS OF RESOLUTION 242. (C) IRANIAN SIDE EXPLAINED ITS POSITION ON SECURITY AND STABILITY OF PERSIAN GULF AND IMPORTANCE OF LITTORAL STATES SETTLING ISSUES THEMSELVES WITHOUT OUTSIDE INTERFERENCE: INDIANS AGREED. (D) IRAN EXPLAINED SITUATION ON ITS WESTERN BORDER AND ITS APPREHENSION THIS COULD LEAD TO REGIONAL INSTABILITY, TO WHICH INDIANS EXPRESSED QTE FULL UNDERSTANDING OF DIMENSIONS OF PROBLEM. UNQTE BOTH SIDES AGREED SUCH PROBLEMS MUST BE RESOLVED IN ACCORDANCE WITH INTERNATIONAL LAW AND UN CHARTER. (E) THEY REVIEWED INDIA OCEAN SITUATION AND REAFFIRMED SUPPORT FOR IOZP RESOLUTION. (F) TWO SIDES AGREED THAT DEVELOPMENTS TOWARD RELAXING INTERNATIONAL TENSIONS WERE STEP TWOARDS PEACE BUT CAUTIONED THAT DETENTE COULD ONLY BE EFFECTIVE ON WORLD-WIDE BASIS.

4. ON ECONOMIC MATTERS, TWO PRIME MINISTERS EXPRESSED SATISFACTION OVER RAPIDLY EXPANDING ECON AND COMMERCIAL RELATIONS BETWEEN TWO COUNTRIES AND AGREED THAT BILATERAL COLLABORATION SHOULD BE FURTHER STRENGTHENED. FOLLOWING DECISIONS WERE ANNOUNCED: (A) IRAN AGREED TO EXTEND SOFT LOANS TO INCREASE PRODUCTION CAPACITY OF KUDREMUKH IRON ORE PROJECT TO 7.5 MILLION TONS ANNUALLY FOR USE IN IRAN AND TO UNDERTAKE JOINT STUDY TO SET UP ALUMINA PLANT WITH CAPACITY OF 300,000 TONS OF WHICH IRAN WOULD HAVE FIRST OPTION. (B) WITH IRANIAN FINANCIAL ASSISTANCE TWO SIDES WILL FORM JOING SHIPPING LINE WITH INITIAL CAPACITY OF 500,000 TONS TO OPERATE BETWEEN INDIA AND IRAN AND POSSIBLY OTHER COUNTRIES. (C) IRAN WILL PROVIDE LOANS TO INCREASE INDIAN INDUSTRIAL CAPACITY TO MEET REQUIREMENTS OF BOTH COUNTRIES FOR SUCH PRODUCTS AS CEMENT, SUGAR, IRON AND CONFIDENTIAL

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STEEL, PAPER, NEWSPRINT AND CHEMICALS. (D) INDIA WILL PROVIDE TECHNICAL PERSONNEL, ENGINEERS, PROFESSORS AND DOCTORS FOR SERVICE IN IRAN. (E) TWO SIDES EMPHASIZED NEED FOR MEASURES TO MITIGATE IMPACT OF RISING PRICES ON DEVELOPING COUNTRIES AND MRS GANDHI WELCOMED SHAH'S PROPOSAL TO ESTABLISH FUND FOR THAT PURPOSE. (F) BOTH COUNTRIES EMPHASIZED NECESSITY TO ENSURE THAT DEVELOPING COUNTRIES EXERCISE FULL SOVEREIGNTY AND CONTROL OVER THEIR NATURAL RESOURCES AND COOPERATE TO BRING ABOUT RATIONAL AND EQUITABLE BASIS

FOR INTERNATIONAL ECONOMIC RELATIONS. IN PARTICULAR THEY HOPED ASIAN AND AFRICAN COUNTRIES WOULD COOPERATE ECONOMICALLY TO BRING PEACE AND PROSPERITY TO REGION.

5. COMMENT: BOTH MFA AND INDIAN EMBASSY SEEM WELL SATISFIED WITH VISIT AND BELIEVE IT IS FURTHER STEP IN DEVELOPMENT OF CLOSER TIES WHICH HAVE BEEN EVOLVING DURING PAST YEAR. AS IS OBVIOUS FROM WIDE RANGE OF INTERNATIONAL, REGIONAL AND BILATERAL ISSUES COVERED DURING SHORT VISIT, MUCH OF DISCUSSION BETWEEN MRS GANDHI AND HER HOSTS WAS AT BROAD CONCEPTUAL LEVEL AND DETAILS OF VARIOUS PROGRAMS MUST STILL BE WORKED OUT. BUT AIM OF BOTH SIDES FROM BEGINNING WAS TO USE VISIT TO REMOVE RESIDUE OF MUTUAL MISTRUST AND TO ACHIEVE BETTER UNDERSTANDING OF OTHER COUNTRY'S POLITICAL AND ECONOMIC CONCERNS, NEEDS AND HOPES. IN THIS THEY SEEM TO HAVE SUCCEEDED. SHAH, FOR INSTANCE, STATED PUBLICLY THAT HE COULD NOT RECALL TALKS WITH LEADERS OF ANY OTHER STATE WHERE GREATER DEGREE OF UNDERSTANDING WAS ATTAINED. SIMILARLY, INDIAN DCM TOLD US HE HAD BEEN ESPECIALLY IMPRESSED WITH RAPPORT WHICH DEVELOPED BETWEEN MRS GANDHI AND HIM. HE THOUGHT IRAN NOW WAS MUCH LESS CONCERNED ABOUT INDIAN-SOVIET TREATY THAN IT ONCE WAS AND THAT INDIA HAD BEEN ABLE TO PERSUADE IRAN ITS FRIENDSHIP WITH IRAQ IN NO WAY IMPLIED BALNKET ENDORSEMENT OF IRAQI POLICY OR ATTITUDE TOWARD IRAN. FOR ITS PART, INDIA NOW IS MORE RELAXED ABOUT WHAT IRAN MIGHT DO IN EVENT OF ANOTHER INDIA-PAKISTAN CONFRONTATION, NO LONGER FEARING IRAN WOULD COME TO PAK ASSISTANCE UNDER ANY CIRCUMSTANCES.

6. SOME DIFFERENCES IN OUTLOOK AND APPROACH REMAIN, OF COURSE. INDIAN OCEAN IS ONE SUCH AREA. INDIANS BELIEVE EXPANSION OF US FACILITIES ON DIEGO GARCIA IS PROVOCATIVE AND WILL LEAD TO SOVIET COUNTERMEASURES, WHILE IRANIANS TAKE OPPOSITE VIEW THAT US ACTIVITIES IN AREA BALANCE SOVIET PRESENCE AND ARE THEREFORE STABILIZING. HEAD OF MFA SUBCONTINENT AFFAIRS HEDAYAT-VAZIRI WHO TOOK PART IN TALKS TOLD POLCOUN THAT ALTHOUGH IRAN HAD NO OBJECTION TO

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ZONE OF PEACE RESOLUTION, INDIAN OCEAN WAS HIGH SEA AND LITTORAL STATES SHOULD NOT TRY TO PROSCRIBE FREE USE BY OTHERS.

7. BOTH SIDES SEEM ESPECIALLY PLEASED WITH PROGRESS MADE TOWARD MUTUALLY BENEFICIAL ECONOMIC COOPERATION. INDIA OBTAINED PROMISE OF HELP IN MEETING ITS CRUSHING ECONOMIC PROBLEMS IN MANNER THAT WON'T SADDLE IT WITH NEW DEBT REPAYMENT PROBLEMS. IRAN WILL RECEIVE MUCH-NEEDED SUPPLIES (AND TRAINED PERSONNEL) THROUGH NON-INFLATIONARY AND POLITICALLY PROFITABLE USE OF SURPLUS OIL REVENUES. TOTAL AMOUNT AND EXACT TERMS OF THESE LOANS ARE YET TO BE WORKED OUT BUT HEDAYAT-VAZIRI HINTED THAT OVER TIME MAGNITUDE MAY APPROACH THE BILLION DOLLARS MENTIONED BY INDIAN EXPRESS (NEW DELHI'S 5942).

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## Message Attributes

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