

P.M.'s visit to India 15 - 19 April 1981:

Policy

INDIA

January 1981

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
4. 2. 81							
13. 3. 81							
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Riyadh Tel 4 19.4.8

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India

*cc India Pakistan - Sept 79
UK/India Relations*

CONFIDENTIAL

FM RIYADH 191532Z APR 81

TO IMMEDIATE F C O

TELEGRAM NUMBER 4 OF 19 APRIL

INFO PRIORITY ISLAMABAD NEW DELHI WASHINGTON BONN (FOR S OF S).

FOLLOWING FROM GRAHAM, PRIME MINISTERS' PARTY.

INDO-PAKISTANI RELATIONS.

1. THE PRIME MINISTER WOULD LIKE THE DEPARTMENT TO CONSIDER HOW TO CONVEY TO PRESIDENT ZIA THE UPSHOT OF HER DISCUSSION WITH MRS GANDHI ABOUT INDO-PAKISTAN RELATIONS. IF AGHA SHAHI WERE TO BE VISITING LONDON ON HIS WAY TO OR FROM WASHINGTON THAT WOULD PROVIDE AN OCCASION FOR AN ORAL BRIEFING. ALTERNATIVELY THE CHARGE D'AFFAIRES IN ISLAMABAD COULD CONVEY AN ORAL ACCOUNT.
2. IN SPEAKING TO THE PAKISTANIS, WE COULD SAY THAT THE PRIME MINISTER HAD GIVEN PRESIDENT ZIA'S MESSAGE TO MRS GANDHI, EMPHASISING HIS AFFIRMATION OF PAKISTAN'S GENUINE DESIRE FOR FRIENDSHIP AND REJECTION OF AN ARMS RACE WITH INDIA. IN DISCUSSION THE PRIME MINISTER ALSO STRESSED PAKISTANS' RIGHT TO ACQUIRE WEAPONS FOR SELF-DEFENCE AND THE PROBLEMS WHICH SHE FACED WITH SOVIET TROOPS ON HER BORDERS AND SOME 2 MILLION REFUGEES.
3. MRS GANDHI HAD REPLIED (BUT WITHOUT ASKING THE PRIME MINISTER TO CONVEY HER RESPONSE) THAT SUPPLY OF ARMS TO PAKISTAN WOULD NOT HELP OVER AFGHANISTAN BUT WOULD MAKE THE RUSSIANS DIG IN THEIR HEELS. NEVERTHELESS, INDIA WAS ANXIOUS FOR FRIENDSHIP WITH PAKISTAN, WHICH WAS A QUOTE NECESSITY UNQUOTE. INDIA FACED HUGE PROBLEMS AND COULD ILL AFFORD CONFRONTATION. THE INDIAN FOREIGN MINISTER WAS TO VISIT ISLAMABAD NEXT MONTH.

CRAIG

LVC NR 671

CONFIDENTIAL

LUK 028/18

Check if reply ^{NO} needed

FDW G 013/18

OO BOMBAY (DESKBY 182300Z)

IMMEDIATE

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DESKBY 182300Z

FM F C O 182112Z APRIL 81

TO IMMEDIATE BOMBAY

TELEGRAM NUMBER 087 OF 18 APRIL

FOR PM'S PARTY.

AMERICAN EMBASSY HAVE ASKED US TO PASS FOLLOWING MESSAGE FOR PRIME MINISTER

BEGINS:

DEAR MADAME PRIME MINISTER: THE PRESIDENT HAS ASKED ME TO EXPRESS TO YOU HIS PROFOUND ADMIRATION FOR YOUR FORTHRIGHT AND COURAGEOUS COMMENTS TO THE PRESS IN INDIA ON PAKISTAN'S DEFENSE NEEDS AND ON THE SITUATION IN AFGHANISTAN. AS SO OFTEN HAS BEEN THE CASE, WE FIND OURSELVES IN COMPLETE AGREEMENT WITH YOU. ALLOW ME TO ADD MY PERSONAL GRATITUDE AND THANKS FOR THE TIME YOU GAVE ME IN OUR MEETING LAST WEEK IN LONDON. RESPECTFULLY, ALEXANDER M. HAIG, JR.

ENDS.

CARRINGTON

CONFIDENTIAL

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UNCLASSIFIED

DM DELHI 171530Z APR 81

TO IMMEDIATE FCO

TELEGRAM NUMBER 425 OF 17 APRIL.

AND TO IMMEDIATE BOMBAY (FOR PRIVATE SECRETARY) (ACTIONED).

INFO IMMEDIATE ISLAMABAD, RIYADH.

INFO PRIORITY KABUL, PRT LOUIS, MOSCOW, WASHINGTON, ABU DHABI, DUBAI,
MUSCAT, DOHA.

PRIME MINISTER'S PRESS CONFERENCE

1. THE PRIME MINISTER GAVE A 35 MINUTE PRESS CONFERENCE THIS AFTERNOON TO THE INDIAN AND INTERNATIONAL PRESS. THE MAIN TOPICS WERE INTERNATIONAL ISSUES, PARTICULARLY US ARMS TO PAKISTAN, INDO-PAKISTANI RELATIONS AND AFGHANISTAN, AND THE NATIONALITY BILL AND IMMIGRATION. OTHER QUESTIONS COVERED WERE DIEGO GARCIA, THE RAPID DEPLOYMENT FORCE AND THE JAGUAR DEAL.

2. IN HER INTRODUCTORY REMARKS, THE PRIME MINISTER STRESSED THAT HER TALKS WITH MRS GANDHI HAD BEEN CHARACTERISED BY MUTUAL REGARD AND GREAT UNDERSTANDING. THE MAIN PURPOSE OF HER VISIT HAS BEEN TO TALK TO THE INDIAN GOVERNMENT AND THAT THE RESULT WAS A GREATER UNDERSTANDING OF EACH OTHER'S PROBLEMS AND OF WORLD ISSUES. THE PRIME MINISTER SAID SHE WAS VERY GRATEFUL TO MRS GANDHI FOR THE AMOUNT OF TIME SHE HAD SPENT WITH HER DURING HER VISIT.

AMERICAN ARMS FOR PAKISTAN

3. THE PRIME MINISTER SAID THAT ALL NATIONS HAD THE RIGHT TO DEFEND THEIR BORDERS AND THEIR PEOPLE. WE DID SO IN BRITAIN AND INDIA HAD INCREASED HER ARMS AND EQUIPMENT ENORMOUSLY. THE SAME RIGHT MUST APPLY TO PAKISTAN, PARTICULARLY SINCE SHE WAS BORDERED BY AFGHANISTAN, AT PRESENT AN OCCUPIED COUNTRY. ONE COULD NOT ASK FOR THE RIGHT TO DEFEND ONESELF AND DENY THAT RIGHT TO OTHERS. THE PRIME MINISTER SAID SHE WOULD BE CONCERNED IF SOVIET TROOPS WERE NEAR HER FRONTIER. SHE WOULD NOT OPPOSE SUPPLYING ARMS FOR SELF-DEFENCE.

INDO-PAKISTAN RELATIONS

4. ASKED WHETHER BRITAIN WOULD DEFEND INDIA IN THE EVENT OF PAKISTANI AGGRESSION, THE PRIME MINISTER SAID THIS WAS A WHOLLY HYPOTHETICAL QUESTION. IT WAS SURELY BETTER TO WORK FOR INDO-PAKISTANI FRIENDSHIP. SHE SAID IN REPLY TO QUESTIONS THAT SHE DID NOT THINK THAT HER VISIT WOULD HAVE A MAJOR IMPACT ON INDO-PAKISTANI RELATIONS BUT THAT SHE HAD DELIVERED A MESSAGE TO MRS GANDHI FROM PRESIDENT ZIA IN WHICH PRESIDENT ZIA STRESSED HIS WISH FOR FRIENDSHIP WITH INDIA. SHE WOULD NOT BE DELIVERING A RETURN MESSAGE SINCE SHE WOULD NOT BE SEEING PRESIDENT ZIA. SHE WOULD VISIT PAKISTAN AT SOME STAGE BUT HER PROGRAMME FOR THE NEXT FEW MONTHS WAS FULL. SHE HAD NO INDICATION ONE WAY OR THE OTHER ABOUT WHETHER PAKISTAN WAS TRYING TO MANUFACTURE A NUCLEAR BOMB.

/ AFGHANISTAN

AFGHANISTAN

5. THE PRIME MINISTER SAID BRITAIN CONDEMNED THE OCCUPATION OF AFGHANISTAN AND WOULD CONTINUE TO WORK FOR THE WITHDRAWAL OF SOVIET TROOPS SO THAT AFGHANISTAN COULD BECOME ONCE AGAIN A NON-ALIGNED COUNTRY IF IT SO WISHED. WE DID NOT AND WOULD NOT REGARD THE PRESENCE OF SOVIET TROOPS IN AFGHANISTAN AS NORMAL. BRITAIN HAD PROPOSED A SOLUTION TO THE AFGHANISTAN QUESTION ON THE BASIS OF ACCORDING AFGHANISTAN NEUTRAL STATUS WHICH WOULD BE GUARANTEED BY OTHERS. THIS PROPOSAL HAD NOT BEEN TAKEN UP BUT WE WERE READY TO COOPERATE IN OTHER INITIATIVES. ASKED ABOUT DIFFERENCES BETWEEN BRITAIN AND INDIA ON AFGHANISTAN, THE PRIME MINISTER SAID THAT THE NON-ALIGNED CONFERENCE HAD BEEN FORTHRIGHT IN CONDEMNING SOVIET OCCUPATION AND INDEED IT WOULD BE DIFFICULT FOR NON-ALIGNED COUNTRIES TO ACCEPT OCCUPATION OF ANOTHER NON-ALIGNED NATION.

EAST/WEST

6. ASKED ABOUT THE NUCLEAR ARMS RACE, THE PRIME MINISTER SAID THERE WAS A DANGER THAT A THIRD WORLD WAR COULD BE NUCLEAR AND A WORLD WAR MUST BE AVOIDED. PROTECTION CAME FROM STRENGTH NOT WEAKNESS AND THE PRESENT BALANCE OF EAST/WEST FORCES CONTRIBUTED TO PEACE. WE WOULD LIKE A BALANCE AT A LOWER LEVEL OF ARMAMENTS BUT IT MUST BE A BALANCE THAT COULD BE MONITORED AND VERIFIED.

DIEGO GARCIA

7. ASKED WHETHER THERE SHOULD NOT BE WITHDRAWALS FROM DIEGO GARCIA AND FROM ELSALVADOR AS WELL AS FROM AFGHANISTAN, THE PRIME MINISTER SAID THERE WERE NO STRICT PARALLELS TO THE INVASION OF AFGHANISTAN. DIEGO GARCIA WAS A BRITISH TERRITORY AND THE PROVISION OF FORCES WAS GOVERNED BY AGREEMENTS WITH THE UNITED STATES. THERE WAS ALSO AN AGREEMENT WITH MAURITIUS WHICH COVERED COMPENSATION. ASKED ABOUT THE PRIME MINISTER OF MAURITIUS' REQUEST TO HAVE DIEGO GARCIA BACK, THE PRIME MINISTER SAID THAT THE AGREEMENT PROVIDES THAT IF NO LONGER NEEDED FOR DEFENCE DIEGO GARCIA WOULD BE RETURNED.

RAPID DEPLOYMENT FORCE

8. ASKED WHETHER THE GULF STATES WANTED A RAPID DEPLOYMENT FORCE, THE PRIME MINISTER SAID THAT A RDF, IF CREATED, WOULD NOT BE USED JUST FOR THE GULF AND WOULD ONLY BE USED IF REQUESTED. SINCE CONFLICTS COULD BREAK OUT UNEXPECTEDLY IN MANY PARTS OF THE WORLD, IT SEEMED A SENSIBLE CONTINGENCY TO CREATE A FORCE WHICH COULD BE SENT QUICKLY WHERE AND WHEN IT WAS WANTED. IF THE AMERICANS DECIDED TO CREATE SUCH A FORCE, WE WOULD WANT TO PLAY A SMALL PART IN IT.

ARMING THE GULF STATES

9. ASKED WHETHER DIFFERENCES BETWEEN INDIA AND BRITAIN ON PROVIDING ARMS TO THE GULF STATES WERE NARROWER AS A RESULT OF THE TALKS WITH MRS GANDHI, THE PRIME MINISTER SAID IT WAS IMPORTANT THAT THE STRAITS OF HORMUZ SHOULD BE KEPT OPEN. IT WOULD BE NICE IF THIS COULD BE DONE WITH NO NAVAL PRESENCE BUT WE DID NOT LIVE IN AN IDEAL WORLD. THERE WERE SOVIET SHIPS IN THE INDIAN OCEAN. THERE WERE ALSO SOME AMERICAN, FRENCH AND BRITISH SHIPS IN THE AREA. SHE SAW NO CHANGE IN THE POSITION.

NORTH/SOUTH

10. ASKED ABOUT MEASURES TO BRIDGE THE GAP BETWEEN THE DEVELOPED AND DEVELOPING COUNTRIES, THE PRIME MINISTER SAID SHE HOPED TO GO TO THE SUMMIT IN MEXICO SCHEDULED FOR OCTOBER. SHE SAID THAT BRITAIN WAS A CONSIDERABLE AID DONOR AND HAD GIVEN INDIA £140 MILLION LAST YEAR, A RECORD FIGURE. INDIA WAS BRITAIN'S LARGEST AID RECIPIENT AND BRITAIN WAS INDIA'S LARGEST AID DONOR.

NATIONALITY BILL

11. ASKED ABOUT ANXIETIES FELT BY ASIAN PEOPLE OVER THE NATIONALITY BILL, THE PRIME MINISTER SAID THAT EVERY COUNTRY HAD THE RIGHT TO DETERMINE WHO SHOULD RECEIVE CITIZENSHIP, A RIGHT EXERCISED IN THE PAST TO A GREATER EXTENT ELSEWHERE THAN IN BRITAIN. WE BELIEVED THE TIME HAD COME TO CLARIFY THE POSITION ON BRITISH CITIZENSHIP AND CONDITIONS HAD BEEN LAID DOWN WHICH WERE DEFINED NOT ACCORDING TO RACE OR RELIGION BUT ACCORDING TO BELONGING AND CLOSE AND CONTINUING ASSOCIATIONS WITH BRITAIN. THE CONDITIONS WERE LESS STRINGENT THAN IN MANY COUNTRIES. THE NEW CITIZENSHIP WOULD CARRY WITH IT THE RIGHT OF ABODE IN THE UNITED KINGDOM. IT WOULD NOT AFFECT THE RIGHTS OF THOSE FROM INDIA WHO ALREADY CARRIED BRITISH CITIZENSHIP, OR THE RIGHT OF UK PASSPORT HOLDERS TO COME TO BRITAIN. ASKED WHETHER THERE WOULD BE FURTHER AMENDMENTS TO THE NATIONALITY BILL, THE PRIME MINISTER SAID SHE DID NOT THINK THE AMENDMENTS ALREADY PROPOSED HAD BEEN SUFFICIENTLY TAKEN INTO ACCOUNT BY THOSE WHO HAD CRITICISED THE BILL DURING HER VISIT. IN REPLY TO CRITICAL QUESTIONS ABOUT BRITISH OVERSEAS CITIZENSHIP THE PRIME MINISTER SAID EVERY COUNTRY HAD THE RIGHT TO DETERMINE ITS OWN DEFINITION OF CITIZENSHIP, AND MANY WERE MORE STRINGENT THAN OURS. WE WERE BEHIND OTHER COUNTRIES IN DEFINING A CITIZENSHIP WHICH INCLUDED THE RIGHT OF ABODE.

IMMIGRATION

12. ASKED BY MARK TULLY, BBC, WHETHER, AS HAD BEEN INDICATED BY MRS GANDHI, THERE WOULD, FOLLOWING THE TWO PRIME MINISTERS' TALKS BE ANOTHER LOOK AT IMMIGRATION PROCEDURES AND POLICIES AND THE RATE AT WHICH THE QUOTA SYSTEM WAS OPERATED, THE PRIME MINISTER SAID SHE HAD EXPLAINED THAT UNEMPLOYMENT IN BRITAIN WAS HIGH AND BRITAIN WAS MORE DENSELY POPULATED THAN INDIA. THESE FACTORS WERE NOT CONDUCTIVE TO TAKING MORE PEOPLE INTO BRITAIN. THE GOVERNMENT

HAD PLEDGED AT THE ELECTION TO REDUCE THEUMBER OF PEOPLE COMING INTO BRITAIN AND THIS WAS ESSENTIAL IF RACIAL HARMONY WERE TO BE PROMOTED. SHE WAS DEEPLY UPSET BY RECENT EVENTS IN BRIXTON. THE PRIME MINISTER SAID 190,000 INDIAN CITIZENS CAME INTO HEATHROW. ONLY 6 IN 1000, OR 6.5%, WERE TURNED BACK.

JAGUAR

13. ASKED ABOUT THE JAGUAR DEAL, THE PRIME MINISTER SAID IT HAD SCARCELY BEEN MENTIONED DURING HER VISIT AND NOT AT ALL DURING HER TALKS WITH MRS GANDHI. SHE HAD HAD NO NOTICE THAT THE EXISTING CONTRACT SHOULD BE CHANGED.

SHIVAJI'S SWORD

14. ASKED ABOUT SHIVAJI'S SWORD, THE PRIME MINISTER SAID IT WAS NOT FOR HER TO GIVE AWAY OTHER PEOPLE'S PROPERTY.

15. FULL TRANSCRIPT FOLLOWS BY NEXT BAG.

16. THE PRIME MINISTER'S ANSWER TO A QUESTION ON GIBRALTAR IS REPORTED SEPARATELY IN MY TELNO 424.

THOMSON

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UNCLASSIFIED

FM DELHI 171300Z APR 81

TO IMMEDIATE FCO

TELEGRAM NUMBER 424 OF 17 APRIL.

INFO IMMEDIATE MADRID, BOMBAY (ACTIONED), GIBRALTAR (FOR GOVERNOR'S OFFICE - FCO PSE PASS).

SPAIN/GIBRALTAR

AT HER PRESS CONFERENCE THIS AFTERNOON WITH THE INDIAN AND INTERNATIONAL PRESS, THE PRIME MINISTER WAS ASKED BY A SPANISH NEWS AGENCY REPRESENTATIVE WHETHER SHE THOUGHT THERE WERE PROSPECTS OF BRITAIN'S RETURNING GIBRALTAR TO SPAIN. THE PRIME MINISTER REPLIED:
"THE ANSWER IS NO. THE PEOPLE OF GIBRALTAR MUST BE ALLOWED TO DETERMINE THEIR OWN FUTURE."

2. SUMMARY OF MAJOR POINTS MADE AT THE PRESS CONFERENCE FOLLOWS BY TELEGRAM TODAY.

THOMSON

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MR BULLARD

MR FERGUSSON

CONFIDENTIAL

FM DELHI 171100Z APR 81

TO IMMEDIATE FCO
TELEGRAM NUMBER 423 OF 17/4/81

PRIME MINISTER'S VISIT TO INDIA

1. AFTER AN INTENSIVE PROGRAMME IN DELHI AND THE CONCLUSION OF THE OFFICIAL TALKS WITH MRS GANDHI, I WOULD JUDGE THAT THE VISIT IS BEING A REAL SUCCESS BUT NOT A SPECTACULAR ONE. THE INDIAN GOVERNMENT AND MRS GANDHI PERSONALLY HAVE GONE OUT OF THEIR WAY TO DEMONSTRATE THEIR WARM FEELINGS FOR THE UK AND THEIR REGARD FOR THE PRIME MINISTER. A NUMBER OF UNUSAL TOUCHES WHICH WERE NOT FOR EXAMPLE PART OF THE BREZHNEV PROGRAMME HERE HAVE BEEN INTRODUCED BY MRS GANDHI AND THE PERSONAL UNDERSTANDING BETWEEN THE 2 PRIME MINISTERS HAS BEEN STRENGTHENED. THE GOVERNMENT OF INDIA CLEARLY WANTED A SUCCESSFUL VISIT AND TO THIS END THEY CHOSE TO AVOID PRESSING POINTS WHICH WOULD HAVE BEEN LIKELY TO GIVE RISE TO CONTROVERSY. THE FACT THAT THE INDIAN PRESS STRESSES DIFFERENCES ON THE NATIONALITY LAW AND ON ARMS FOR PAKISTAN, SEEMS TO OWE MORE TO THEIR NEED FOR A STORY AND THEIR GENERAL EXPECTATIONS THAN TO OFFICIAL INDIAN BRIEFING.
2. ON INTERNATIONAL AFFAIRS, THERE WAS A GOOD EXCHANGE OF VIEWS WHICH DID NOT PRODUCE ANY SIGNIFICANT SURPRISES OF CHANGES. IT MAY PROVE TO HAVE BEEN USEFUL TO PUT BRITISH VIEWS ON NAMIBIA AND THE SECURITY COUNCIL STRONGLY TO THE INDIAN FOREIGN MINISTER A FEW HOURS BEFORE HE LEFT FOR THE MEETING OF THE BUREAU OF NON-ALIGNED IN ALGIERS. THE INDIANS, TO WHOM THE PRIME MINISTER PASSED PRESIDENT ZIA'S MESSAGE, STRESSED THAT THEY WERE IN NO WAY THREATENING PAKISTAN. ON THE CONTRARY THEY WERE WORKING FOR AN IMPROVEMENT IN RELATIONS AND NARASIMHA RAO MIGHT WELL GO TO ISLAMABAD NEXT MONTH. THE INDIANS TOOK NOTE OF THE PRIME MINISTER'S STATEMENTS THAT HER DISCUSSION WITH REAGAN HAD NOT INCLUDED AMERICAN MILITARY ASSISTANCE TO PAKISTAN. THEY WELCOMED THE PRIME MINISTER'S ASSURANCE, BASED ON HER TALK IN LONDON WITH MR HAIG, THAT THE UNITED STATES WAS ANXIOUS TO SEE AN IMPROVEMENT IN US/INDIAN RELATIONS. IN GENERAL ON EAST/WEST MATTERS, THERE WAS A TACIT AGREEMENT NOT TO PUSH POINTS OF DIFFERENCE.
3. THE JAGUAR DEAL HAS NOT BEEN MENTIONED AND THERE WAS NO DISCUSSION OF DEFENCE MATTERS EXCEPT THAT THE PRIME MINISTER TOOK AN OPPORTUNITY TO STRESS TO THE CHIEF OF AIR STAFF OUR INTEREST IN THE LIGHT COMBAT AIRCRAFT PROJECT. NO MENTION HAS BEEN MADE OF DIEGO GARCIA AND INDEED THERE WAS NO DISCUSSION OF THE INDIAN OCEAN AS A PROBLEM AREA, THOUGH IN HER BRIEF SPEECH TO THE HOUSES OF PARLIAMENT, FOLLOWING THE PRIME MINISTER'S, MRS GANDHI REFERED TO THE DEMILITARISATION OF THE INDIAN OCEAN.

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4. ON BILATERAL COMMERCIAL AND ECONOMIC MATTERS THE INDIANS WITH ONE EXCEPTION WERE COOPERATIVE. DOCUMENTS COVERING THE DEVELOPMENT OF THE COAL AND POWER INDUSTRIES IN INDIA, SPACE, SCIENCE AND TECHNOLOGY, DOUBLE TAXATION AND A GENERAL MEMORANDUM OF UNDERSTANDING ABOUT A NUMBER OF OTHER FIELDS OF COMMERCIAL INTEREST TO US, WERE SIGNED. THE LATTER DOCUMENT CONTAINED A BRIEF PASSAGE ON TRADE WHICH PROVED AN EXCEPTION TO THE GENERAL INDIAN HELPFULNESS. THE MINISTER OF COMMERCE AND HIS OFFICIALS WERE STILL SMARTING OVER VARIOUS LONG-STANDING DETAILED GRIEVANCES EG. THE ALLEGED HOLD UP BY BRITISH CUSTOMS OF FOLKLORIC ITEMS. THE INDIANS LAID GREAT STRESSES ON THE NEED TO SORT OUT THESE PROBLEMS AND IMPROVE INDIAN EXPORTS TO THE UK. ON THE THERMAL POWER PLANT, THE INDIANS SAID THEY WOULD BE GLAD TO ESTABLISH THAT IT WAS A VIABLE PROJECT. MRS GANDHI TOLD THE PRIME MINISTER THAT THE DECISION ON THE COASTAL STEEL PLANT LAY BETWEEN THE BRITISH AND THE GERMAN LED CONSORTIA. IT HAD TAKEN LONGER TO COMPLETE THE STUDIES THAN HAD BEEN EXPECTED. THE INDIAN CABINET WOULD CONSIDER THE QUESTION ON 22 APRIL.

5. THERE WAS RELATIVELY LITTLE DISCUSSION IN THE OFFICIAL TALKS ABOUT THE NATIONALITY BILL AND IMMIGRATION QUESTIONS, ALTHOUGH A READER OF THE INDIAN PRESS MIGHT WELL SUPPOSE THAT IT WAS THE PRINCIPLE SUBJECT OF DISCUSSION. THE FORTHRIGHT WAY IN WHICH THE PRIME MINISTER FACED UP TO THE ISSUE AND DEALT WITH THE CRITICISMS, BOTH IN HER SPEECH TO THE MEMBERS OF PARLIAMENT AND IN A MEETING WITH A DOZEN OR SO MP'S, SPECIALLY REQUESTED BY MRS GANDHI, WAS EFFECTIVE AND HAS BEEN THE SUBJECT OF ADMIRING COMMENT. IN HER PUBLIC COMMENTS MRS GANDHI HAS BEEN STUDIOUSLY MODERATE AND HAS NOT GONE FURTHER THAN SHE JUDGED NECESSARY FOR HER DOMESTIC POLITICAL REQUIREMENTS. SHE REFERRED TO THE "STRONG FEELINGS" OF MANY INDIANS ABOUT THE NATIONALITY BILL AND EXPRESSED HER OWN "DISAPPOINTMENT" ABOUT THE SITUATION OF UKPH.

6. IN GENERAL I AM INCLINED TO THINK THAT MRS GANDHI MEANT IT WHEN SHE SAID IN PARLIAMENT THAT THE VISIT WOULD LEAD TO TRADE AND COOPERATION "BENEFITTING BOTH OUR COUNTRIES EVER MORE FRUITFULLY IN THE YEARS TO COME".

THOMSON
FCO/WH
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CONFIDENTIAL

PRIME MINISTER

Press Conference

This afternoon you are to give a 40 minute press conference from 2.00 at Vigyan Bhavan, a modern conference centre built 18 months ago. It is fully air conditioned. I shall not raise objections to the recording and televising of it.

I would expect at least 100 journalists to attend - Indian, resident foreign press and, of course, British journalists.

The press conference will be chaired by Mr. Wilfred Lazarus, Principal Information Officer of the Public Information Bureau.

You will be expected to make a short statement after Mr. Lazarus has introduced you. This would be followed by a question and answer session.

Your visit has been marked in the media by the policy as distinct from personal differences between you and Mrs. Gandhi. The Indian press, in bringing out these differences, has also given very full coverage to your views - witness the coverage of your speech last evening to the Parliament, most notably on the Nationality Bill.

The press conference presents you with a real opportunity to put the most positive gloss upon your visit and to leave Delhi on a high note. The journalists will be particularly anxious to know how the visit has matched up to your expectations and how you see Anglo/Indian relations developing in the future.

Given the nature of the press I would expect them still to concentrate on three major issues - Pakistan and the supplying of arms to that regime; the Nationality Bill and immigration; and the extent to which British policies co-incide and diverge with the Americans.

/Judging

Judging by my briefing on Wednesday they may well also chase you on the Indian Ocean, Diego Garcia and the RDF.

Other items likely to arise are Afghanistan, South West Asia, Jaguar and, notably from travelling British journalists, the steel contract.

17 April 1981

MR. INGHAM

c.c. Mr. Alexander ✓

Press Arrangements in Bombay

There are two points which I think we should put to the Prime Minister about the press arrangements in Bombay.

Gateway of India/Elephanta Caves

There is likely to be only one launch for the visit to the Gateway of India and the Elephanta Caves which can carry the Prime Minister and 14 other people. Three of these places have provisionally been earmarked for a photographer, a TV cameraman and a TV soundman.

As there is unlikely to be a backup launch, the only way we can obtain coverage of this event will be by having this small pool team on board the Prime Minister's launch. Such a facility would provide excellent photography/TV film of just the right kind for an Easter weekend, after the more formal part of the Prime Minister's visit to India has taken place in Delhi.

Can you seek the Prime Minister's agreement to having a pool team on board?

Possible Interviews with BBC and ITN

At 3.45 p.m. on Saturday the Prime Minister will have tea with British journalists in Bombay. Her next appointment is a reception at 6.30 tomorrow evening. I think it would be a good idea if the Prime Minister could give three very brief interviews of 3/4 minutes each to:-

Keith Graves of BBC Television

The local UP/ITN correspondent

Mark Tully of BBC Radio/World Service

/ These

These interviews would provide the Prime Minister with a good opportunity to sum up her impressions of her visit to India, and again might be good for use in Easter weekend programmes.

Charles A.

17 April, 1981

MR. INGHAM

cc. Mr. Alexander

Mrs Gandhi's meeting with the British Press: 16 April

Mrs Gandhi was asked almost straightaway at her meeting with the British press yesterday about differences in attitude between the Indian and British Governments towards Pakistan and towards the Nationality Bill. Mrs Gandhi said several times that each country has to look at individual problems from a particular angle. It is not always easy to have the same point of view and the purpose of visits such as Mrs Thatcher's and for example meetings of Commonwealth leaders was that they provided a forum in which you could discuss these things.

Nationality Bill

She was then pressed hard on the Nationality Bill by Chris Moncrieff, who was obviously looking for a line for a news story, and to a lesser extent by Keith Graves of the BBC.

Did the Indian Government think that the Nationality Bill discriminated against the immigrant community? Mrs Gandhi said that she hoped that the Bill would contain no discrimination but the fact was that our nationality proposals had caused concern amongst the Indian people which had also been voiced in the Indian Parliament. Mrs Gandhi said that she had had many letters on the subject from the Indian community in Britain. Mrs Gandhi implied that some sections of Indian Parliamentary and public opinion thought that the Nationality Bill was discriminatory but she was careful when she was pressed on the subject continuously during the 40 minute meeting with the British press, not to associate herself/^{too} personally and too directly with a hard line.

In response to further questions, Mrs Gandhi acknowledged that the Nationality Bill had shaken confidence in the Asian community in Britain as well as here in India. Something (she did not specify what) had to be done to restore confidence. Mrs Gandhi then referred to the amendments that had been made to the Nationality Bill which were good as far as they went but many people felt that something more needed to be done.

/ Asked whether

Asked whether Mrs Thatcher had been able to give any assurances in her talks concerning the racial position in Britain, Mrs Gandhi said that Britain had always stood for justice and equality and she hoped that that would continue to be the case. Asked for her reaction to events in Brixton and whether they had led to greater anxiety on the eve of Mrs Thatcher's visit on the racial issue, Mrs Gandhi replied that unfortunately in today's world these things did happen in many countries but that did not mitigate them. Mrs Gandhi said that Mrs Thatcher had in fact taken the initiative to tell her how upset she (Mrs Thatcher) had been about the events in Brixton.

Mrs Gandhi then commented that even before Brixton there was a certain lack of trust in the immigrant community. Some events (again she did not specify) had led to charges of injustice. The Nationality Bill had excited Parliamentary and public opinion here and "if something more could have been done that would have been very welcome".

C.V. ANSON

17 April 1981

RESTRICTED

SUBJECT

RECORD OF A CALL ON THE PRIME MINISTER BY INDIAN MEMBERS OF
PARLIAMENT ON THURSDAY 16 APRIL 1981 AT 1600 HOURS AT
RASHTRAPATI BHAVAN, NEW DELHI

*of Matter
India - Pt. 2: UK/Indian
Relations*

The Prime Minister held a meeting at the Rashtrapati Bhavan on 16 April with the following Indian Members of Parliament from the Congress (1) Party:-

Mr. Eduardo Faleiro: Goa
Dr. Shanker Sharma: Madhya Pradesh
Mrs. S. Kaur: Punjab
Mr. N.K. Sharma: Rajasthan
Mr. R.L. Bhatia: Punjab
Mr. B. Gadjil: Maharashtra
Mr. J. Tytler: Delhi
Mrs. M. Sultan: Madhya Pradesh
Dr. Lokesh Chandra

After being welcomed by the Prime Minister, Mr. Faleiro said that he and his colleagues had been glad when they heard that the Prime Minister was coming to India. They had been charmed by her performance on television the previous evening. Their hope was that Indo-British relations, which were already good, should be further improved. However, there were one or two problems on which they wished to express their views, in particular the question of the British Nationality Bill and of the "hostile treatment" of Indian visitors arriving at Heathrow. They recognised that the Nationality Bill was a matter lying entirely within the prerogative of the British Parliament. He then invited Dr. Shanker Sharma to speak.

Dr. Shanker Sharma (a former Minister of Communications) said that his starting point was the belief, which he and many Indians shared, that the British people had a tradition of liberal thought and a liberal approach to all problems. The Indians were therefore upset if anything happened which conflicted with their view of Britain. In this spirit he wished to bring to the Prime Minister's notice that there were in India some 40,000 people of Indian origin who had come from the former British Colonies after they became independent. Although they held British passports it had been recognised that they could not all be admitted to Britain at once, and there was an understanding that they should come to India in the meantime, but would be able to enter the United Kingdom in due course. They now found that only about 500 (annually) were admitted and even then with some difficulty. This created a problem. He and his colleagues received many letters and

/ petitions

petitions, and the issue was used by other political parties to embarrass the Congress (I) Party.

He hoped the Prime Minister would find a solution to the problem and to the problem of "those born afterwards" (presumably a reference to the children of UKPH born after enactment of the Bill). This would be in the larger interests of Indo-British relations and would enhance the reputation of Britain in the minds of right-thinking Indians. They had a warm feeling about Britain which they wished to treasure.

There was also the question of harrassment of visitors at Heathrow which he was sure the Prime Minister and her government did not condone. He understood that no visa was needed by Indian visitors, but he advised people who approached him to take a letter with them in order to avoid embarrassment. India had, he believed, more English speaking people than any other Commonwealth country except Britain herself. Indo-British friendship was an asset for India and he hoped also for Britain.

In reply, the Prime Minister stressed that those people who were permanently settled in Britain would not be affected by the new legislation. There were about half a million people of Indian origin who now belonged to Britain and were British citizens because they had their permanent home there. Furthermore the British Government had responded swiftly to concerns expressed by the Indian Government over certain aspects of the Bill and as a result had introduced 4 major amendments. The effect of these was:

- (a) to enable British citizens who had acquired their citizenship by grant rather than by birth to transmit it in the same way as British citizens by birth;
- (b) to provide for children born in Britain to parents neither of whom were British and neither of whom were permanently settled in Britain to acquire British citizenship by registration after they had lived for 10 years from birth in the United Kingdom;

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- (c) to extend the grace period for registration of those with an entitlement to British citizenship through registration from 2 years to 5 years;
- (d) to provide British Overseas Citizens, Citizens of Dependent Territories, British Subjects under the Bill and British Protected Persons with an entitlement to be registered as British citizens after they had lived for 5 years in Britain. This was a major improvement on the arrangements for them as originally drafted.

The Prime Minister stressed that there was nothing racial or religious in the Bill, and that she had been greatly hurt by allegations to the contrary.

As regards UKPH, the Prime Minister pointed out that their existing right to come to the United Kingdom was not affected adversely by the Bill. She accepted that the number allowed in was lower than it had been, but pointed out that there were now 2½ million unemployed in Britain, and that last year the UK had accepted for settlement from the new Commonwealth 35,000 people who came in as dependants, and that another 30,000 had chosen to register as British citizens. She pointed out that the figure of 500 UKPH admitted for entry was misleading because it did not include their dependants who were also allowed in. An increase in numbers would not make for racial harmony. Until the events in Brixton a few days earlier, she had been pleased with the way things were going. The West Indians posed a particular problem because, unlike people from the Sub-Continent, they had no tradition as small businessmen and could not easily find employment. She was deeply concerned and shocked by what had taken place in Brixton, and had agreed with the Home Secretary to set up an inquiry under an eminent judge in order to try to ensure that it never happened again.

Reverting to the UKPH question the Prime Minister said that because of high unemployment this was not the time to increase the quota. The only way to do this would be by taking in UKPH

/ instead

instead of dependants of people already settled in Britain. This would cause great hardship to some families.

The Prime Minister went on to say, in relation to the allegations of harrassment at Heathrow, that the isolated "virginity test" case should never have happened and arrangements had been made to prevent it happening again. X-rays had occasionally been used for age assessment where other documentation was lacking, but that practice had now been suspended. The High Commissioner pointed out that arrangements had now been made for the Indian High Commission to be contacted from Heathrow in cases of difficulty involving Indian citizens. In answer to a question about sterilisation of women, the Prime Minister replied that there was no such thing as compulsory sterilisation in Britain. For such an operation to take place it was necessary to have the consent not only of the woman concerned but also of her husband. Sir John Graham said that the Deputy High Commissioner at the Indian High Commission in London had told him that the report filed on this subject by an Indian correspondent in London was incorrect and that the journalist concerned had admitted that he had got it wrong.

The Prime Minister went on to point out that of the 190,000 visitors to the UK from India last year only about 6 in a thousand had been turned back; this was a smaller percentage than from many other countries. She advised prospective visitors to the United Kingdom to come with a letter or an entry certificate. The immigration officials did an excellent job in the face of great difficulties. For example, she had recently investigated a case involving a family in her constituency who had complained about the way in which a relative had been questioned on arrival. Her enquiries had revealed that 2 other members of the family who had earlier entered the UK had both overstayed. In such circumstances it was not unnatural that an immigration official should be suspicious.

In answer to a question from one of the MPs, the Prime Minister said that it was necessary to be firm sometimes and at the same time to be fair and to be seen to be fair. It was easy always to say 'yes' but this did not solve any problems. In response to a query about the lack of any provision in the proposed legislation for appeals in naturalisation cases it was pointed out that this was not normally provided in the citizenship legislation of other countries. It did not exist in India.

Ans

18 April, 1981

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SUBJECT

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India Pt 2 UK/Indian
Relations

RECORD OF A MEETING AT THE RASHTRAPATI BHAVAN ON 16 APRIL 1981
BETWEEN THE PRIME MINISTER AND MR. MUKHERJEE, MINISTER OF COMMERCE
AND STEEL, GOVERNMENT OF INDIA

Present:

Prime Minister

Mr. Mukherjee, Minister of Commerce and
Steel

Sir John Thomson

Mr. Kaul, Secretary, Ministry of Commerce
and Steel

Sir John Graham

Mr. Mathrani

Mr. T.P. Lankester

Welcoming Mr. Mukherjee, the Prime Minister reported very briefly on her discussion that morning with the Minister of Finance. She had told him that HMG was trying hard to hold off the pressures for protection. The UK economy was one of the most open in Europe, certainly more so than the French. It seemed that some of India's quotas were not fully taken up; so for those goods covered by quota, there was potential for expansion.

Quota Transferability

Mr. Mukherjee said India was trying to impress on the EEC the need for transferability of quotas. At present, quotas were fixed on a country by country basis. If one country's quota was fully taken up, there ought to be provision for transferring to it any unused portion of other countries' quotas. This could, in effect, be achieved if the Commission were to fix the quota for an individual product for the EEC as a whole. This is what in future they ought to do.

He had discussed this matter with Mr. Biffen when he had visited India a few months previously: he hoped the UK would take it up with the Commission.

Folkloric Garments

Mr. Mukherjee said that the Indian Government was concerned about the folkloric garments being held up by the Customs. He understood that 20,000 pieces were being held, of which only 3 to 4 thousand had been cleared for delivery. There were certainly some pieces that would not stand the test of being hand made; but in their view, at least 10,000 qualified and should be

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released forthwith. He felt that the Customs interpretation of what was folkloric was too narrow. The only essential criterion should be whether or not the garments in question were machine made.

Mr. Kaul said that there had been considerable delay in dealing with this problem, and he hoped that there would be immediate discussions between the two Governments about it. The exporters whose goods were being held up were small businesses, and they were facing considerable difficulties. One way of dealing with the problem, which the Indian Government would be willing to accept, would be to debit any consignments which were not genuinely folkloric against the coming year's quotas. The Prime Minister said that she was aware of this problem, and she had spoken to Mr. Biffen about it before leaving. She understood that the Indian High Commission in London were agreed that some of the items in question were not folkloric, and that others were being retained at the instance of the EEC Commission. She felt, in any case, that the problem needed to be looked at in context. Between 1978 and 1980 folkloric imports had increased from 17,000 pieces to 883,000 pieces. This was a very rapid rise which showed that the UK was doing its best to help India's folkloric exports. The value of garments currently retained was only £75,000, against £3½ millions' worth of imports in 1980. Nonetheless, she agreed that there should be early talks between the two sides to try to resolve the issue.

Opium

Mr. Kaul said that there was concern in India that UK imports of opium had been stopped.

The Prime Minister said that opium imports were permitted for pharmaceutical manufacture, and the Government did not interfere in the sourcing of these imports. Sir John Thomson added that it was certainly the case that UK importers had switched from buying from India to buying from Australia. The Prime Minister said that HMG would look into this problem as it affected India.

/ Groundnuts and Cotton seed

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Groundnuts and Cotton Seed

Mr. Mukherjee said that they were very concerned about the recent ban on imports of groundnuts and cotton seed to be used in cattle feed. They accepted that those products which exceeded the international norms for Aflatoxin should be kept out. But they felt that India was being discriminated against. For example, the UK was continuing to import soya beans from the US, which also contained significant amounts of Aflatoxin.

The Prime Minister said that because of the cancer risk for children identified in a recent report, the Government had felt obliged to act quickly. Soya beans did not contain the same quantity of Aflatoxin. But there had been no intention to discriminate against India. The Government intended to produce definitive regulations very shortly, and she understood that India's views were being taken into account.

Sir John Thomson said that 12 countries were affected by the ban on imports of groundnuts and cotton seeds. Mr. Mathrani added that the ban had been imposed only after the receipt of a report by professional experts. This showed clearly the basis on which the ban had been imposed, and a copy of it had been sent to the Ministry of Commerce.

Mr. Kaul said that they had not received this report. The Prime Minister said that she would ensure that another copy was sent immediately.

Shipping

Mr. Mukherjee said that there were inadequate facilities for containerisation on the existing conference fleets between India and the UK - especially those operating from Eastern India. This meant that the cost of shipping between the two countries was excessive. Mr. Kaul said that the conference fleets were very old. The Indian Government had tried to persuade the shipping companies to modernise and to buy containerised ships. The Indian companies were willing to do so, but not the UK companies. They had

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asked the Department of Trade to take this up with the UK shipping lines

The Prime Minister said that she would follow this up.

Balance of Trade

Mr. Mukherjee said that since 1977 India's balance of trade with the UK had gone significantly negative. India very much wanted to improve its exports to the UK. He had already referred to some immediate problems. On the question of quotas, although there were some that were not fully taken up, there were others that were. He cited the quota on tobacco, which - since its imposition under the GSP - had severely reduced the UK's imports from India. More generally he felt it would be desirable if there could be some institutional arrangement to review the whole trading situation between the two countries. He understood that HMG were averse to issuing any kind of directions to traders, but he felt that - following such a review - it might be possible for HMG to issue some kind of general direction designed to improve the balance of trade from India's point of view.

Mr. Mathrani said that HMG were very willing to cooperate on measures to promote bilateral trade. For example, they had arranged a visit for Indian businessmen, and they were willing to provide Indian exporters with technical assistance.

Coastal Steel Plant

In response to a question from the Prime Minister, Mr. Mukherjee said that the critical meeting for reviewing the various proposals for the steel plant was scheduled for 22 April. They had hoped to reach a decision on it earlier, but it had been delayed by the late proposals from Romania and from Metchem of Canada.

The meeting finished at 1545 hours.

16 April, 1981.

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Private Secretary

CALL ON THE PRIME MINISTER BY INDIAN MEMBERS OF PARLIAMENT:
4.00 PM, THURSDAY 16 APRIL

1. The following eight Indian MPs will be calling on the Prime Minister at 4.00 pm today, Thursday 16 April. They are all members of the Congress I party. I have added some factual notes on the people, where known.

Lok Sabha

- (a) Eduardo Faleiro: Goa. Born in Portugal, speaks regularly in Parliament on foreign affairs. Entered Parliament 1977.
- (b) Mrs S Kaur: Punjab.
- (c) Mr N K Sharma: Rajasthan. Entered Lok Sabha for the first time in 1968.
- (d) Mr R L Bhatia: Punjab. Entered Lok Sabha for the first time in 1972. Represented India as a delegate at the UN in 1975.
- (e) Mr B Gadgil: Maharashtra. Read Law at London University and Lincoln's Inn. Was a member of Rajya Sabha 1971-80. Joined Lok Sabha January 1980.
- (f) Mr J Tytler: Delhi. Well-known Youth Congress I leader and close associate of the late Sanjay Gandhi. Entered Lok Sabha for the first time in January 1980.

Rajya Sabha

- (g) Mrs M Sultan: Madhya Pradesh. Member of the Lok Sabha from 1957-67. Joined Rajya Sabha 1974.
- (h) Dr Lokesh Chandra: nominated member of the Rajya Sabha since 1974. Born in Punjab. Well-known writer on oriental art and culture.

M. C. Raven

M C Raven

16 April 1981

cc High Commissioner

Netherlands Bill ①

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India. Pt 2: UK/Indian
Relation

RECORD OF A MEETING AT RASTRAPATI BHAVAN ON 16 APRIL 1981
AT 1115 BETWEEN THE PRIME MINISTER AND MR. VENKATARAMAN,
MINISTER OF FINANCE, GOVERNMENT OF INDIA.

Present:

Prime Minister
Sir John Thomson
Sir John Graham
Mr. Mathrani
Mr. Tim Lankester

Mr. Venkataraman, Minister of
Finance
Mr. Malhotra, Ministry of
Finance
Mr. Bhalla, Ministry of External
Affairs

Coastal Steel Plant

After exchanging courtesies, the Prime Minister said that she had just had a long talk with Mrs Gandhi and Mr Mukherjee about the coastal steel plant contract. She had tried, in particular, to clarify HMG's position on the aid that would be available if Davy were to win the contract. Mr. Mukherjee seemed to be under the impression that the UK would be simply reallocating part of the existing provision for India. She had tried to make clear that this was not so. The UK Aid Programme was now basically split into two: there was an aid provision for individual countries, and there was a provision for project aid which was intended to help UK industry win contracts throughout the developing world. The latter was only available for UK led bids. If Davy did not win the steel contract, it could very well be that the aid which was intended for it would not go to India, but to another country. The Davy bid was very competitive, and it was supported by a generous aid package; there would also be a French aid component. She had great hopes that Davy would win; it would do much to cement Indo/British relations.

Mr. Venkataraman said that the Government of India were actively considering two proposals - the one from the UK, the other from the Federal Republic of Germany. If the UK led bid was competitive, he saw no reason why it should not win.

Mr. Malhotra said that they were quite clear that the aid on offer in support of the Davy bid would only be available to India if Davy won it. The question of reallocation

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had only been raised by the Indian Government in the context of the substantial decline in the UK aid provision for India over the coming year. The offer of aid towards the steel plant alongside the decline in the general aid provision caused them considerable embarrassment in relation to other donors. In particular, the Germans were not cutting their overall level of assistance (which was running at DM 400 million this year), and they had not tried to link their programme with their bid for the steel plant. Mr. Venkataraman added that the UK's general provision for India was being cut from £140 million in 1980/81 to £87 million in the coming year, which was inclusive of the retroactive terms adjustment. Sir John Thompson commented that the ceiling for the coming year was in fact £97 million.

The Prime Minister said that the UK had had to reduce its overall aid programme. Sir John Graham said that the reduction in the Indian programme was not greater proportionately than for other countries. Sir John Thompson said that the UK was India's largest bilateral donor, and in 1980/81 India had in fact received from the UK £10 million more than it had expected.

The Prime Minister said that the Government of India seemed to be criticising the UK because of the disproportionately large size of its aid programme in the past. The UK had tried to be most cooperative in its aid and other relations with India, and she hoped that - in the context of the current steel negotiations - India would not "take it out" on the UK now.

IDA Replenishment

Mr. Venkataraman said that the Government of India were worried about the sixth and seventh replenishments of the International Development Assistance (IDA). Negotiations for the seventh replenishment would be getting under way shortly. India was concerned that if IDA's resources were not increased, development assistance to developing countries would be badly affected. He hoped that the UK would do their utmost to persuade other countries, and in particular the USA, to be generous. As regards the sixth replenishment, they were concerned about the revised profile of contributions announced

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by the new US Administration. The US had not reduced their total contribution but the contribution in the first two years of the replenishment period would be sharply down on the previous Administration's intentions. Mr. McNamara, visiting India recently, had indicated that IDA would shortly run out of commitment authority because of the changed US position. The situation would be even worse if other donor countries were to follow the US; it was important that they should stick to their previously announced commitments.

The Prime Minister said that the UK contributed a higher proportion of GDP to IDA than most other countries. She sometimes wished that we did not, and instead concentrated more on bilateral aid. For the UK seemed to get more credit for its bilateral aid efforts. She cited the example of Bangladesh, whose President had criticised the UK for not being generous enough. But he had not seemed to understand that the UK was making a large contribution to Bangladesh aid receipts through IDA. The Prime Minister went on to say that she understood the problem of the sixth replenishment caused by the US Administration's decision, and she supposed that projects such as the Sri Lanka dam proposal would be affected. Sir John Graham asked whether India had made direct representations to the US about the problem. Mr. Venkataraman replied that they had indeed done so. Secretary Regan had replied in terms which were helpful^{only} to the extent that he had affirmed that the Administration stood by its commitment in terms of the total contribution to the sixth replenishment. He repeated that both they, and the World Bank, were worried about the revised profile of payments. Mr. Malhotra added that India was also worried about the attitude of the US Congress.

Trade and Protection

Mr. Venkataraman said that India was concerned about what appeared to be the growing protectionism of the developed countries. Unless they kept their markets open, the developing countries would not be able to purchase the plant and equipment needed for their development programmes. India was faced with a growing balance of payments problem. It was spending \$7 billion

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per year on oil imports, which constituted 72 per cent of export earnings. He hoped that the UK Government would do everything possible to hold off protectionist pressures, and to persuade its EEC partners to do likewise.

The Prime Minister said that the UK had an open door policy on trade: the UK market was far more open than that of some other EEC Countries, who too often used non-tariff barriers to keep out imports. UK consumers, in any case, would not tolerate greater protection. But Japanese imports were a real problem - not only for UK industries, but for other countries trying to compete in the UK market. Mr. Mathrani commented that many of India's UK quotas were not filled. Mr. Malhotra said that this was true, but for some Indian exports which were growing rapidly, the quotas were too tight.

The Prime Minister went on to say that she fully appreciated the problems for India and other countries caused by high oil prices. She hoped that the Indian Government had made representations to OPEC and also to the Saudi Foreign Minister during his recent visit. She would certainly be discussing oil prices when she visited Saudi Arabia and the Gulf. The UK had for a time tried to hold back the price of North Sea oil, although ultimately this had not proved feasible. She wondered whether any of the OPEC countries had been willing to provide India with rebates on the oil price.

Mr. Malhotra said that India had raised the latter point several times. But only one country, Iraq, had agreed to a rebate. They had agreed a 20 year interest free loan against last year's increase in price; an agreement had been signed, but in the event it had not been implemented because of the Iran/Iraq war.

Thermal Power Plant

Sir John Thomson said that UK proposals for a thermal power plant had been discussed over recent weeks and months with the Indian Government. It would be helpful to have an indication of the Government's position.

/ Mr. Venkataraman

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Mr. Venkataraman said that they were planning on an expansion of electricity capacity of 19,500 megawatts. The infrastructure and project requirements were currently being worked out. Mr. Malhotra added that an investment decision on the particular power plant in question had yet to be made. The Ministry of Power had been asked to enquire with the Planning Commission, who were responsible for allocating the investment budget, whether there was scope for constructing an additional plant.

UK Investment in India

The Prime Minister said that many UK companies wanted to invest in India. But some companies with existing investments felt that they were not getting as good a deal as they might. She hoped that any particular problems could be sorted out. She did not want any feeling that companies were being badly treated to dissuade new investment. She cited the problems which ICI were currently having with their pharmaceutical plant at Ennore. According to the ICI Chairman, the Government of India had frozen the plant's prices at levels of 1970 and 1974, and this was causing heavy losses. Mr. Malhotra said that he would look into this to see what could be done.

Sir John Graham also mentioned the problems of Burmah Oil. Mr. Venkataraman said a tentative decision had been reached on the Burmah issue with a view to an early announcement.

Indo/British Collaboration

The Prime Minister expressed the hope that Indo/British collaboration could be expanded both in India and in third countries.

Mr. Malhotra said that technical collaboration with British firms in India had been increasing very rapidly. There was particular scope for collaboration in the coal industry. There was also great scope for increased collaboration in third countries though - if this were to be successful - British partners had to be prepared to make some sacrifices initially in order to allow Indian companies part of the business.

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/ The meeting

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The meeting finished at 1205 hours.

T.P. LANKESTER

16 April 1981

cc Sir John Thomson
Sir John Graham
Mr. Alexander
Mr. Mathrani

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India: UK / Indian Relations
M-2

SUBJECT

SUMMARY RECORD OF A DISCUSSION BETWEEN THE PRIME MINISTER AND THE PRIME MINISTER OF INDIA, MRS INDIRA GANDHI, IN NEW DELHI ON THURSDAY 16 APRIL 1981 AT 0930 HOURS

The Prime Minister had a tete-a-tete discussion with Mrs Gandhi on the morning of the second day of her visit. During the course of the conversation, the two Heads of Government were joined by the Indian Foreign Minister, Mr. Rao, and the Indian Minister of Commerce, Mr. Mukherjee.

A substantial part of the discussion was taken up by an exchange of views on the British tender for the Paradip steel plant. In the course of this Mrs Gandhi explained that it would be difficult for the Indian Government to give the contract to the UK during the Prime Minister's visit as this would certainly result in accusations that the contract had not been awarded on "objective" grounds. At no point did Mrs Gandhi attempt to suggest that there was a quid pro quo for the contract in some other field. The Nationality Bill and UKPH were not mentioned at any stage in the discussion.

The two Heads of Government also discussed the situation in Afghanistan. Mrs Gandhi said that the main reason for the Soviet intervention had been nervousness about the consequences for the situation in the Soviet Asian republics of a collapse in Afghanistan. In her view it would be a long time before Soviet forces were withdrawn. Given the Soviet Government's anxiety about their Muslim population, they would need to be very confident about the situation in Kabul before releasing their hold.

Mrs Gandhi was also concerned about the future policy of the Soviet Government. She had no idea who the next generation of leaders would be. But it was clear that the present generation were the last whose thinking would be dominated by their recollection of the horrors of the last war. Mrs Gandhi thought the next few years were likely to be very dangerous.

Mrs Gandhi repeated, but in more detail, the concern she had expressed to the Prime Minister the previous day about the activities of the Communist Party in India. She said she was perplexed as to how to proceed.

/ There was some

There was some discussion of the situation in South East Asia. Mrs Gandhi explained that she had recognised the Heng Samrin regime because the Pol Pot regime had been intolerable and Heng Samrin had seemed the only realistic alternative. Prince Sihanouk had no future in Kampuchea. The situation there had to be seen in terms of the conflict between China and the Soviet Union. China, in Mrs Gandhi's view, was an expansionist power with ambitions in Mongolia and the North East.

20 April 1981

SUBJECT

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India: Pt 2: UK/Indian Relations

RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND THE
INDIAN FOREIGN MINISTER, MR. RAO, IN DELHI ON 16 APRIL 1981
AT 0900 HOURS

Present:

Prime Minister	Mr. Rao
Sir John Thomson	Mr. Sathe
Sir John Graham	Mr. Hiremath
Mr. Ingham	Mr. Bhalla
Mr. Alexander	

Non-Aligned Meeting

The Prime Minister congratulated Mr. Rao on the way the Non-Aligned Meeting in Delhi had been conducted. Mr. Rao said that the atmosphere had indeed been very good. Consensus had been reached because those who disagreed did not wish to spoil the atmosphere. At the end of the Conference, the Indian Government had suggested the participating States could enter reservations about the conclusions at any time in the next two week. In the event, no reservations had been received.

Commonwealth Heads of Government Meeting

The Prime Minister said that she hoped a similar atmosphere would prevail in Melbourne. She did not think that there were any major difficulties facing Heads of Government though she was aware that the Members from the Pacific were hoping that more time could be spent on the things that interested them. It would be useful if any unavoidable political declarations could be worked out before the meeting assembled. This would save much valuable time. Mr. Rao said that the Indian Government were concentrating on economic issues and hoped to play down or bypass political issues. They thought the Melbourne meeting would be a useful preparation for the subsequent summit meeting in Mexico. He agreed with the Prime Minister about the desirability of preparatory work.

/ North/South Summit

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North/South Summit

After the Prime Minister had referred to the concern of the Mexican Foreign Minister about the fact that the Ottawa Summit would precede the Mexico Summit, Mr. Rao confirmed that this was a source of concern to the Indian Government also. There were those who argued that if the developed countries had a harmonised position as a result of the Ottawa Summit, the developing countries should similarly coordinate their views. However, the Indian Government took a different view. They regarded it as essential that the meeting in Mexico should be the occasion for a free and open exchange of views. There should be no pre-determined positions. For that reason they did not think the developing countries should try to imitate the Ottawa Summit. They should limit themselves to analysing the outcome of the Ottawa Summit and exchanging views about it.

The Prime Minister said that she thought this was very wise. She was aware of the dangers flowing from the fact that the economic summits were carefully prepared by officials and were faced with draft declarations, which they often did not discuss, when they met. However, she doubted whether the Mexico Summit would lead to the taking of firm collective positions by the seven participants. Mr. Rao indicated that he was glad to hear this. The Mexico Summit should not be an occasion for negotiation or decisions. He hoped very much that this would be borne in mind in Ottawa. It was essential that Heads of Government should not come to Mexico with their hands tied. The Mexico meeting would be an input into on-going discussions. He hoped it would help to accelerate the dialogue between North and South. Those involved in the preparatory discussions in Vienna had been careful to avoid committing the Mexico meeting to anything other than a free-ranging and uncluttered discussion.

Iran/Iraq

Mr. Rao commented that many members of the Non-Aligned Movement were going to find it embarrassing to attend the next Non-Aligned Summit in Baghdad if the ^{Iran/Iraq} war was still in progress. The Prime Minister said that perhaps the prospect

/ of the Summit

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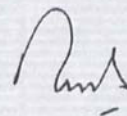
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of the Summit would provide a stimulus to the search for a solution. Mr. Rao agreed but added that there was now a major conflict of personality between the leaders of the two sides. Each appeared to expect the other to fall within two or three months and to see no reason why concessions should be made in advance of that event. Moreover, each regime was accusing the other of attempts to subvert it.

Arab/Israel Dispute

After Mr. Rao had referred to Mr. Haig's recent visit to the Middle East, the Prime Minister said that she thought we were coming to the end of the period of appraisal which had followed the election of a new Administration in the United States. The time for a next step was now approaching. Unfortunately, it was not easy to see what the shape of that next step should be. Moreover the attack on President Reagan's life would no doubt have set back the process of policy formulation in the United States.

The discussion ended at 0920.



16 April 1981

cc Sir John Thomson
Sir John Graham

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PRIME MINISTTERS' VISIT TO INDIA : PRESS COVERAGE.

1. THE NEWSPAPERS ON 15 APRIL CONTAINED A FEW COLUMN INCHES REPORTING THE IMMINENT ARRIVAL OF MRS THATCHER IN INDIA. APART FROM DETAIL OF THE COMPOSITION OF THE PARTY AND LENGTH OF THE VISIT, THE ARTICLES STATED THAT BILATERAL COMMERCIAL ISSUES AND MAJOR INTERNATIONAL AFFAIRS WOULD FEATURE PROMINENTLY IN THE TALKS. IN ADDITION MANY PAPERS, AND IN PARTICULAR THE PATRIOT, REFERRED TO IMMIGRATION ISSUES AND TOPICALLY THE BRIXTON RIOTS. THE INDIAN EXPRESS AND STATESMAN BOTH REPORTED SIMILARLY WORDED STATEMENTS PUT OUT BY THE TWO COMMUNIST PARTIES CRITICAL OF H M G'S POLICIES AND CALLING FOR STRONG OPPOSITION TO THE VISIT. THE INDIAN EXPRESS, FINANCIAL EXPRESS, HINDU AND TIMES OF INDIA OF 15 APRIL ALL CARRIED SPECIAL SUPPLEMENTS ON THE PRIME MINISTER'S VISIT, AS DID THE STATESMAN AND ECONOMIC TIMES TODAY.

2. TODAY'S PAPERS GIVE GOOD COVERAGE TO THE ARRIVAL CEREMONY, WITH PHOTOGRAPHS. THERE IS ALSO COMMENT ON THE PRIME MINISTER'S AND MRS GANDHI'S SPEECHES ON ARRIVAL AND AT LAST NIGHTS BANQUET. BUT THE MAIN COVERAGE IS GIVEN TO YESTERDAY'S OFFICIAL TALKS, BASED ON A JOINT INDOA BRITISH PRESS CONFERENCE LAST NIGHT. THE PAPERS ALL TAKE THE LINE THAT THERE ARE DIFFERENCES BETWEEN INDIA AND BRITAIN ON A RANGE OF INTERNATIONAL ISSUES, PARTICULARLY AFGHANISTAN AND AMERICAN ARMS TO PAKISTAN, BUT THAT THESE WERE DISCUSSED IN A FRANK AND STRAIGHTFORWARD MANNER BY THE TWO PRIME MINISTERS BOTH IN THEIR PRIVATE TALKS AND WHEN OFFICIALS WERE PRESENT. THE PRIME MINISTER'S WARM PERSONAL REMARKS FOR INDIA AND FOR MRS GANDHI ARE ALSO NOTED. THE GENERAL TENOR OF THE PRESS COVERAGE IS WELL ILLUSTRATED BY THE FRONT PAGE OF THE TIMES OF INDIA WHICH STATES

QUOTE

MRS THATCHER WAS EXTREMELY WARM AND EFFUSIVE IN HER REFERENCES TO INDIA AND ITS LEADERS IN HER FORMAL STATEMENTS BUT EQUALLY FRANK AND FORTHRIGHT WHEN IT CAME TO DEFENDING THE SUPPLY OF ARMS TO PAKISTAN OR THE U S FOREIGN POLICY BOTH OF WHICH HAVE BEEN CAUSING CONCERN TO INDIA.

UNQUOTE.

3. THERE HAVE BEEN NO LEADERS SO FAR ON THE VISIT.

THOMSON
MINIMAL
NEWS D
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[THIS TELEGRAM WAS NOT ADVANCED]
[COPIES SENT TO NO 10 DOWNING STREET]

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FM DELHI 160445Z APR 81

TO IMMEDIATE FCO

TELNO 418 OF 16 APRIL

INFO TO JEDDA, TEHRAN, KUWAIT, UKMIS NEW YORK AND STOCKHOLM
SAVING TO HAVANA, MODUK (FOR DIA) WASHINGTON AND ISLAMABAD.

MIPT AND BAGHDAD TELNO 202: PRIME MINISTER'S TALKS WITH MRS
GANDHI: IRAN/IRAQ

1. DURING THE PRIME MINISTER'S TALKS WITH MRS GANDHI YESTERDAY AFTERNOON, RAO GAVE AN ACCOUNT OF THE RECENT NAM MISSION TO IRAN AND IRAQ IN WHICH HE HAD BEEN A MEMBER.
2. HE SAID THE MISSION'S MAIN PURPOSE HAD BEEN TO LISTEN RATHER THAN TO FORMULATE PROPOSALS. HE CONTRASTED THIS WITH THE ISLAMIC CONFERENCE'S ATTEMPT TO FORMULATE PROPOSALS WHICH HAD NOT BEEN SUCCESSFUL. THOUGH BOTH SIDES CONTINUED TO TAKE UP ENTRENCHED AND APPARENTLY DIAMETRICALLY OPPOSED POSITIONS, INFORMAL DISCUSSIONS HAD SHOWN SIGNS OF FLEXIBILITY WHICH NEEDED TO BE CAREFULLY ANALYSED AND BUILT UPON. THE NON-ALIGNED GROUP WOULD BE MEETING AGAIN IN ALGIERS ON 19 APRIL TO CONSIDER THE SITUATION. IF APPROPRIATE IT WOULD UNDERTAKE A SECOND MISSION TO IRAN AND IRAQ, EITHER DIRECTLY OR AFTER A PAUSE.
3. RAO SAID THAT THOUGH BOTH SIDES HAD SHOWN GOODWILL IT HAD BEEN IMPOSSIBLE TO GET TO GRIPS WITH SUBSTANTIVE ISSUES. THE IRANIANS HAD TAKEN THE LINE THAT ONCE THE IRAQIS HAD WITHDRAWN, THERE WOULD BE NO DIFFICULTY ABOUT RESOLVING THESE. HE CONCEDED THAT THE IRANIANS WOULD WANT TO USE THE 1975 AGREEMENT AS A BASIS FOR DISCUSSION, BUT STRESSED THAT BANI SADR HAD MADE IT CLEAR THAT IRAN WOULD BE FLEXIBLE ON SUBSTANTIVE ISSUES. HE SAID THAT BOTH SIDES WERE AGREED THAT THERE MUST BE A PACKAGE SOLUTION AND THAT NO INDIVIDUAL ASPECTS OF THEIR CONFLICT COULD BE TAKEN IN ISLolation. RAO INDICATED THAT THIS MADE PALME'S EFFORTS TO FIND A SOLUTION OF THE SHATT-EL-ARAB PROBLEM DIFFICULT. HE EXPLAINED THAT WHEN THE IRANIANS SAID THAT A CEASEFIRE AND WITHDRAWAL OF TROOPS MUST TAKE PLACE SIMULTANEOUSLY, THEY MEANT THAT A DECISION ABOUT BOTH MUST BE TAKEN AT THE SAME TIME AND WITHDRAWAL MUST FOLLOW AS SOON AS POSSIBLE AFTER A CEASEFIRE.

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4. THE PRIME MINISTER SAID THAT IT WOULD BE A GREAT ACHIEVEMENT IF THE NON-ALIGNED MISSION COULD RESOLVE THE IRAN/IRAQ CONFLICT. IT WOULD MAKE A GREAT DIFFERENCE TO THE WORLD ECONOMY AND MIGHT BRING DOWN OIL PRICES. RAO SAID THAT THOUGH THERE WAS GROUND FOR HOPE, A SOLUTION WAS SOME WAY OFF. HOWEVER THE EXISTENCE OF THE NAM INITIATIVE WAS ITSELF A DISINCENTIVE TO ESCALATION.

FCO PASS SAVING TO HAVANA MOJUK (FOR DI 4) N WASHINGTON AND ISLAMABAD

THOMSON

[REPEATED AS REQUESTED]

IRAQ/IRAN STANDARD

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FM DELHI 160413Z APR 81

TO IMMEDIATE FCO

TELEGRAM NUMBER 417 OF 16 APRIL

INFO PRIORITY WASHINGTON, ISLAMABAD, MOSCOW, PEKING, KABUL, UKMIS
NEW YORK, UKMIS NATO, CAIRO, TEL AVIV

FROM PRIVATE SECRETARY

PRIME MINISTER'S TALKS WITH MRS GANDHI

1. THE PRIME MINISTER MET MRS GANDHI IN PLENARY SESSION YESTERDAY AFTERNOON FOR AN HOUR FOLLOWING AN HOUR AND TWENTY MINUTES PRIVATE DISCUSSION. NARASIMHA RAO, INDIAN FOREIGN MINISTER, WAS ALSO PRESENT. THE TALKS COVERED INTERNATIONAL ISSUES, MAINLY US FOREIGN POLICY ATTITUDES, THE MIDDLE EAST AND INDO/PAKISTAN RELATIONS.

2. IN WELCOMING THE PRIME MINISTER, MRS GANDHI SAID WE SHOULD NOT TAKE OUR RELATIONSHIP FOR GRANTED BUT SHOULD WORK AT IT TO GIVE IT GREATER MEANING IN A CHANGING WORLD. SHE HOPED THE PRIME MINISTER'S VISIT WOULD SUCCEED IN STRENGTHENING FRIENDSHIP BETWEEN INDIA AND BRITAIN. THE PRIME MINISTER AGREED ABOUT THE NEED TO DEEPEN OUR RELATIONSHIP. THERE HAD NOT BEEN AS MUCH CONTACT BETWEEN BRITAIN AND INDIA AS THERE SHOULD HAVE BEEN GIVEN INDIA'S IMPORTANT POSITION IN THE WORLD AS A LEADING DEMOCRATIC, NON ALIGNED, COMMONWEALTH COUNTRY WITH A POTENTIAL TO INFLUENCE THINGS FOR THE BETTER NOT JUST IN INDIA BUT THROUGHOUT THE WORLD.

US FOREIGN POLICY

3. THE PRIME MINISTER SAID IT WAS CLEAR FROM HER VISIT TO THE UNITED STATES AT THE END OF FEBRUARY THAT THE NEW REAGAN ADMINISTRATION REGARDED ITS FIRST PRIORITY AS TO PUT ITS ECONOMY IN ORDER. IT WAS ONLY NOW TURNING TO FOREIGN AFFAIRS, AND HAD NOT, SHE BELIEVED, YET MADE UP ITS MIND ABOUT ANY OF THE MAJOR ISSUES. PRESIDENT REAGAN WAS AWARE THAT LACK OF CONSULTATION IN THE PAST HAD PERHAPS LED TO A LACK OF UNDERSTANDING OF AMERICAN POLICIES AND WAS DETERMINED TO CONSULT WIDELY. HAIG'S VISIT TO THE MIDDLE EAST SHOULD BE SEEN AGAINST THAT BACKGROUND. THE PRIME MINISTER SAID THAT DURING HER VISIT REAGAN HAD JUST RECEIVED BREZHNEV'S LETTER SUGGESTING A SUMMIT. THE LETTER WOULD CLEARLY NEED CAREFUL CONSIDERATION BUT SHE BELIEVED THAT THE AMERICANS ACCEPTED THAT THERE WOULD HAVE TO BE A MEETING, BUT PROBABLY NOT FOR SOME TIME AND PERHAPS WITH CONDITIONS ATTACHED. THE AMERICANS WOULD NOT WANT TO NEGOTIATE UNTIL THEY HAD DECIDED THEIR POSITION ON ALL POINTS TO BE DISCUSSED, EG SALT II AND THE APPROACHES TO SALT III. THEY ALSO FELT STRONGLY, AS WE DID, THAT WE MUST NEVER ACCEPT THE LONG TERM PRESENCE OF RUSSIAN TROOPS IN AFGHANISTAN. IT WAS A PITY THAT BREZHNEV'S LETTER HAD NOT BEEN ACCOMPANIED BY AN INDICATION OF

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READINESS TO WITHDRAW FROM AFGHANISTAN.

4. ON THE MIDDLE EAST, THE PRIME MINISTER SAID THE REAGAN ADMINISTRATION HAD NOT YET MADE UP ITS MIND HOW TO CARRY THINGS FORWARD. THERE HAD BEEN A TENDENCY AT FIRST TO THINK THAT THE ARAB/ISRAEL DISPUTE HAD LOST URGENCY IN VIEW OF THE IRAN/IRAQ WAR, BUT THE AMERICANS HAD NOW REALISED THAT THIS WAS NOT SO. THE PRIME MINISTER EXPLAINED THAT THE EUROPEAN COMMUNITY'S INITIATIVE ON THE PALESTINIAN QUESTION DID NOT COMPETE WITH AMERICAN MOVES. ONLY THE AMERICANS COULD BRING INFLUENCE TO BEAR ON ISRAEL. BUT THE COMMUNITY THOUGHT THERE HAD BEEN TOO MUCH TALK IN GENERALITIES ABOUT THE PALESTINIAN QUESTION AND THAT DETAILS SUCH AS WHO WOULD HAVE THE RIGHT TO VOTE AND THE STATUS OF JERUSALEM NOW NEEDED TO BE WORKED OUT. WE DID NOT EXPECT MUCH PROGRESS UNTIL AFTER THE ISRAELI ELECTIONS AND UNTIL THE AMERICANS HAD MADE UP THEIR MINDS. BUT WE WERE TAKING SOUNDINGS OF THE COUNTRIES CONCERNED.

5. TURNING TO AFRICA, THE PRIME MINISTER SAID WE WERE PLEASED AT THE WAY THINGS WERE GOING IN ZIMBABWE, THOUGH PROBLEMS STILL REMAINED. THE RECENT DONOR'S CONFERENCE HAD BEEN A SUCCESS, AND INCREASED THE CHANCES OF A LASTING DEMOCRACY IN ZIMBABWE, WITH A BENEFICIAL INFLUENCE ON THE REST OF SOUTHERN AFRICA.

6. ON NAMIBIA, THE PRIME MINISTER SAID THAT BEFORE HER VISIT TO THE UNITED STATES, SHE HAD SPOKEN TO BOTHA AND SAID THERE MUST BE SOME MOVEMENT ON NAMIBIA IN ORDER TO WARD OFF A DIFFICULT MOTION AT THE UN. BOTHA, AFTER SOME URGING, HAD GONE TO GENEVA BUT THE CONFERENCE HAD NOT BEEN A SUCCESS. WE WERE NOW STRESSING TO THE AMERICANS THE NEED FOR PROGRESS AND WANTED EVENTUALLY TO SEE A FREE AND FAIR BALLOT. ONE DIFFICULTY WAS THAT WHEREAS WE HAD BEEN IN CHARGE IN THE LEAD-UP TO ZIMBABWE'S INDEPENDENCE, THERE WERE FIVE NATIONS INVOLVED IN NAMIBIA.

7. THE PRIME MINISTER SAID THAT WITH MUCH JUSTIFICATION THE AMERICANS WERE LOOKING AT THESE AND OTHER ISSUES, EG EL SALVADOR, THE CUBAN PRESENCE IN AFRICA, LIBYA, IN TERMS OF EAST-WEST RELATIONS. SHE HAD BEEN GLAD TO NOTE THAT REAGAN WAS KEEN ON IMPROVING RELATIONS WITH MEXICO. ALTHOUGH UNABLE TO ATTEND THE NORTH/SOUTH SUMMIT IN MEXICO IN JUNE IT WAS CLEAR THERE WAS A CHANCE OF HIS ATTENDING IN OCTOBER.

8. IN GENERAL IT WAS CLEAR THAT THE AMERICANS WERE DETERMINED TO GET A FIRM UNDERSTANDING OF CURRENT ISSUES, TO GET PROBLEMS SOLVED, AND TO FURTHER THE CAUSE OF DEMOCRACY. THEY BELIEVED, AS DID WE, THAT ALTHOUGH AN OPEN SOCIETY HAD ITS PROBLEMS IT WAS BY FAR THE BEST POLITICAL SYSTEM AND PROVIDED THE BEST OPPORTUNITY FOR PROMOTING PROSPERITY AND HUMAN DIGNITY. THE AMERICANS WERE NOT HOWEVER JUDGING OTHERS ON HUMAN RIGHT AS THE CARTER ADMINISTRATION DID.

9. IN REPLY TO A QUESTION FROM RAO ABOUT OUR INFLUENCE ON THE AMERICANS' ATTITUDE TOWARDS EL SALVADOR, THE PRIME MINISTER SAID WE CONDEMNED VIOLENCE WHEREVER IT OCCURRED BUT TOOK THE VIEW THAT EL SALVADOR, AS ALSO AFGHANISTAN AND POLAND, MUST SETTLE THEIR AFFAIRS IN THEIR OWN WAY. IF ONE ACCEPTED THAT VIEW ONE HAD TO BE CAREFUL ABOUT THE NUMBER OF ADVISERS SENT TO FOREIGN COUNTRIES.

10. ON IRAN/IRAQ SEE MIFT.

INDIA/PAKISTAN

11. THE PRIME MINISTER SAID SHE HAD BEEN STRUCK BY THE INTEREST IN US/PAKISTAN, AND ANGLO-PAKISTAN RELATIONS SHOWN BY INDIAN JOURNALISTS SHE HAD ADDRESSED IN LONDON. SHE ASKED FOR MRS GANDHI'S VIEWS ON PAKISTAN, COMMENTING THAT SHE HAD TOLD THE JOURNALISTS THAT IN HER VIEW EACH COUNTRY HAD THE RIGHT TO PROTECT ITS OWN PEOPLE. MRS GANDHI SAID SHE ACCEPTED THAT RIGHT BUT THAT INDIAN OPINION REMAINED CONCERNED ABOUT THE RISK OF PAKISTANI AGGRESSION. SHE HAD PERSONALLY INSISTED ON AN INDIAN CEASEFIRE FOLLOWING PAKISTANI SURRENDER IN 1971, BUT THIS HAD NOT BEEN POPULAR. INDIA WAS ANXIOUS FOR FRIENDSHIP WITH PAKISTAN; IT HAD GIGANTIC PROBLEMS AND COULD NOT AFFORD CONFRONTATION. MRS GANDHI SAID SHE HERSELF HAD EXTENDED THE HAND OF FRIENDSHIP TO BHUTTO AFTER THE 1971 WAR AND HAD INVITED HIM TO SIMLA. BHUTTO HAD SAID THEN THAT HE WANTED FRIENDSHIP WITH INDIA BUT, PERHAPS FOR UNDERSTANDABLE DOMESTIC REASONS, HAD NOT BEEN ABLE TO LIVE UP TO HIS WORD. NOW ZIA, BY RAISING THE KASHMIR QUESTION AND BY ADOPTING AN UNHELPFUL ATTITUDE TOWARDS INDIA'S COMMUNAL PROBLEMS, WAS CLOUDING THE ATMOSPHERE AND EXCITING INDIAN PEOPLE. BUT MRS GANDHI WOULD CONTINUE TO TRY FOR FRIENDSHIP. AGHA SHAHI HAD RECENTLY BEEN TO INDIA AND RAO WOULD BE GOING TO PAKISTAN, PERHAPS NEXT MONTH. SHE BELIEVED THAT, FOR THE FIRST TIME, THE PAKISTANI PEOPLE WANTED FRIENDSHIP.

12. MRS GANDHI SAID SHE WAS WORRIED ABOUT THE NATURE OF THE GROWING FRIENDSHIP BETWEEN THE AMERICANS AND PAKISTAN, THOUGH NOT BY THE FACT OF FRIENDSHIP ITSELF. INDIA'S EXPERIENCE, FOR EXAMPLE FOLLOWING THE PROVISION OF ARMS BY EISENHOWER TO PAKISTAN, WAS THAT ARMS SUPPOSEDLY DIRECTED ELSEWHERE ENDED UP BEING USED AGAINST INDIA.

13. THE PRIME MINISTER QUOTED FROM A LETTER TO HER FROM ZIA, WRITTEN FOLLOWING YOUR VISIT TO PAKISTAN, IN WHICH ZIA STRESSED HIS DESIRE FOR FRIENDSHIP WITH INDIA; AND ASKED THE PRIME MINISTER TO TRY TO REMOVE INDIA'S DEEP-SEATED ANXIETY ABOUT PAKISTAN'S INTENTIONS WHICH CONTINUED TO THWART THE DEVELOPMENT OF RELATIONS BETWEEN INDIA AND PAKISTAN, AND TO EXPLAIN PAKISTAN'S GENUINE NEED TO ARM ITSELF AGAINST EXTERNAL THREAT. MRS GANDHI SAID IT WAS HARD TO SEE HOW THE ARMS IN QUESTION COULD HELP IN THE AFGHAN CRISIS. ARMING PAKISTAN WOULD ONLY CAUSE THE RUSSIANS TO DIG THEIR HEELS IN,

AS WOULD THE TRAINING AND ARMING OF AFGHAN REFUGEES AND SENDING THEM BACK TO AFGHANISTAN. MRS GANDHI SAID IT ALSO WORRIED INDIA THAT ALL PAKISTAN'S NEW AIRPORTS WERE ALONG THE INDIAN BORDER. THE PRIME MINISTER SAID THAT PERHAPS IN THE WAKE OF THE INVASION OF AFGHANISTAN PAKISTAN REALISED THE NEED FOR FRIENDSHIP WITH INDIA. MRS GANDHI EXPRESSED THE HOPE THAT THIS WAS SO, AND THANKED THE PRIME MINISTER FOR PASSING ON ZIA'S MESSAGE.

14. RAO ASKED IF OUR DISCUSSION WITH REAGAN HAD INCLUDED AMERICAN MILITARY ASSISTANCE TO PAKISTAN. THE PRIME MINISTER SAID NO: TALKS ON DEFENCE HAD BEEN LIMITED TO BILATERAL AND NATO ISSUES. THERE HAD BEEN SOME DISCUSSION OF A RAPID DEPLOYMENT FORCE THOUGH NOT IN THE TERMS MENTIONED IN THE PRESS. IN AN UNCERTAIN WORLD THERE WAS A NEED FOR SUCH A FORCE TO BE AVAILABLE IF REQUESTED, THOUGH ONLY IF REQUESTED. WE HAD TOLD THE AMERICANS THAT IF SUCH A FORCE WERE TO BE ESTABLISHED, WE WOULD WANT TO PLAY OUR PART. THERE HAD BEEN NO DISCUSSIONS ON DETAIL, EG WHERE SUCH A FORCE WOULD BE STATIONED. THERE WAS NO QUESTION OF PERMANENTLY STATIONING IT IN THE MIDDLE EAST.

INDIA/CHINA

15. THE PRIME MINISTER SAID SHE HAD GAINED THE IMPRESSION FROM YOUR RECENT VISIT TO CHINA THAT THE POTENTIAL FOR FRIENDSHIP BETWEEN INDIA AND CHINA WAS GROWING. MRS GANDHI SAID INDIA HAD TAKEN THE INITIATIVE ON THIS AFTER YEARS OF SNUBS FROM CHINA. AMBASSADORS HAD BEEN EXCHANGED. THE CHINESE FOREIGN MINISTER WAS DUE TO VISIT INDIA SHORTLY THOUGH THE VISIT HAD HAD TO BE POSTPONED BECAUSE OF CONFLICT WITH A UN CONFERENCE. RAO TOLD THE HIGH COMMISSIONER SEPARATELY THAT IT WAS CONCEIVABLE THAT A VISIT MIGHT TAKE PLACE AS EARLY AS NEXT MONTH.

SAUDI ARABIA

16. RAO SAID THE RECENT VISIT OF THE SAUDI FOREIGN MINISTER HAD GONE WELL AND VARIOUS PROTOCOLS HAD BEEN SIGNED. ACCORDING TO PRINCE SAUD, HAIG, ON HIS RECENT VISIT TO SAUDI ARABIA HAD SAID THAT THE AMERICANS WERE STILL FORMULATING THEIR FOREIGN POLICIES AND CONCLUSIONS SHOULD NOT BE DRAWN ABOUT THEIR ATTITUDES. THIS CONFIRMED THE PRIME MINISTER'S ANALYSIS FOLLOWING HER VISIT TO WASHINGTON.

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PA at 6 o'clock British time under the heading Wide Gap
between Britain and India:

India's Prime Minister, Mrs Gandhi, said at a dinner she gave for Mrs Thatcher tonight that there was a wide gap between Indian and British views on world issues. It was essential to find a measure of understanding between the two countries.

Mrs Gandhi said "the growing chasm" between the affluent and the developing nations were disturbing international harmony.

Mrs Gandhi applauded Mrs Thatcher's personal statesmanship and solving the Rhodesia problem and said India looked forward "to the same wise initiatives on other world issues".

"There is a wide gap between your Government's views and ours" said Mrs Gandhi adding that this made it all the more essential to find a measure of understanding.

Blayham

16. FA

GR 275
UNCLASSIFIED
FM LUSAKA 160845Z
TO ROUTINE FCO
TEL NO. 137 OF 16 APRIL 1981
REPEATED TO ROUTINE NEW DELHI.

IMMIGRATION POLICY.

1. IN A STRONGLY WORDED EDITORIAL ON MRS THATCHER'S VISIT TO INDIA THE TIMES OF ZAMBIA TODAY SAYS "WE EXPECTED MRS THATCHER TO CANCEL HER INDIAN TRIP AS IT CAME AT A TIME HER GOVERNMENT WAS UNDER FIRE FOR ITS HANDLING OF RACIAL RIOTS IN LONDON AND ITS PROPOSED LEGISLATION ON BRITISH NATIONALITY". "THERE ARE LAWS WHICH PROVIDE FOR GOOD RACE RELATIONS IN BRITAIN BUT IT APPEARS THAT THE PRESENT CONSERVATIVE GOVERNMENT IS NOT KEEN TO APPLY THEM. BY INTRODUCING THREE TYPES OF BRITISH CITIZENSHIP, MRS THATCHER IS IN EFFECT IMPLEMENTING POWELLISM AND THE OBJECTIVES OF THAT NAZI-TYPE PARTY, THE NATIONAL FRONT. IT IS A BETRAYAL OF WHAT THE COMMONWEALTH IS ALL ABOUT FOR BRITAIN, WHICH IS SUPPOSED TO BE THE TITULAR HEAD OF THE ORGANISATION, TO FOLLOW SOUTH AFRICA'S ABOMINABLE APARTHEID SYSTEM".

2. THE EDITORIAL CALLS ON THE HOUSE OF COMMONS TO "THROW OUT THIS PIECE OF RACIAL THATCHERISM" AND PREDICTS THAT IF THE BILL GOES THROUGH "THE SPARKS MUST FLY AT THE COMMONWEALTH CONFERENCE IN SEPTEMBER". REFERRING TO THE 5,000 BRITISH PASSPORT HOLDERS IN ZAMBIA AFFECTED BY THE LEGISLATION IT CONCLUDES: "MRS THATCHER WOULD BE THE FIRST TO CONDEMN ZAMBIA IF OUR GOVERNMENT DECIDED TO CHANGE THE STATUS OF ZAMBIAN CITIZENS TO SEGREGATE BETWEEN THOSE LIVING IN BRITAIN OR THOSE OF NOT NATIVE ORIGIN AND ZAMBIANS AT HOME".

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Office of the
British Deputy High Commissioner
Mercantile Bank Building Mahatma Gandhi Road
PO Box 815 Bombay 400 023

Telegrams Ukrep Bombay
Telephones 274874

Mr Michael Alexander
Bombay

Your reference

Our reference ADM 026/2

Date 16 April 1981

Dear Alexander,

The Deputy High Commissioner has asked me to let you have 4 copies of the following briefs which have been prepared in Commercial Section:

- a) Industrial developments in Western Regions
- b) British Business visitors to Bombay
- c) Opportunities for the UK in the Indian energy sector
- d) Automobile industry

2. I should be grateful if you would consider whether any of these should be seen by the Prime Minister or her party.

3. I attach separately a note on Elephanta.

Yours ever,
Jeremy Jasper.

J S Jasper
First Secretary
(Commercial)

cc High Commissioner)
Sir John Graham KCMG) with
Mr T Wood) encls
Mr G Wetherell)

BRITISH DEPUTY HIGH COMMISSION BOMBAY

COMMERCIAL SECTION

APRIL 1981

INDUSTRIAL DEVELOPMENTS IN WESTERN REGIONS

The Office of the British Deputy High Commissioner in Bombay is responsible for assisting with the promotion of British export opportunities in the States of Maharashtra, Gujarat, Madhya Pradesh and the Union Territory of Goa.

MAHARASHTRA

2. Maharashtra is the most industrialised state in India, the development process having gathered momentum after the formation of the State in 1960. It contains 9.2% of India's population. The State is the most urbanised in India (14.5% of all-India population.) Apart from Greater Bombay the other urbanised regions are Nagpur, Pune and Thane.

3. According to 1979 figures, Maharashtra's share in the national income is about 12.4% (Rs.10,000 crores of national income of Rs.80,000 crores), it has 11.5% of the total industrial units and 18.5% of the industrial employment in India. The State produces nearly 25% of gross value of output, and value added by manufacture produced by the organised industrial sector of the entire country.

4. Organised manufacturing is concentrated in Greater Bombay, Thane and Pune. These three areas account for about 83% of Maharashtra's income generated from manufacturing. These three areas total 68% of factories in the State, 70% of industrial employment, and 83% of value added by the manufacturing sector. The bulk of the investment in industrialisation has been carried out by the private sector.

5. The following are the important industries in order of size (by employment by individual sectors):

<u>Industry</u>	<u>% of State's total Industrial Employment</u>
Cotton textiles	27%
Petrochemicals & Chemicals and chemical products	9%
Industrial machinery, machine tools	8.4%
Food products	7.1%
Transport equipment	7%
Electrical machinery	5.2%
Sugar	5.1%
Metal products	5.1%
Basic metal & Alloys industry	5.1%
Synthetic fibre textiles, woollens	4.6%
Paper & paper products	4.5%

Bombay (including Thane)

6. Bombay is the financial and commercial capital of India. Bombay contributes over 30% of India's income tax revenue and over 44% of India's customs and excise revenue. Of the first 30 larger industrial houses of India, 16 have their head offices in Bombay.

7. Bombay's major industry is textiles and the cultivation and milling of cotton still contributes 10% of the State's annual income. The first textile mill was established in 1854, and by 1875 28 textile mills were operating. The 62 textile mills in Bombay employ a labour force of 200,000.

8. From 1949 a considerable broadening of the industrial base took place with development of industrial activity in the following areas.

9. Chemicals and Dyestuffs: Because the majority of the user industries are located in Bombay, the area has become a nodal point for the development of the chemicals and dyestuffs industry. Petrochemicals development led to the establishment of the following basic petrochemical companies:

Union Carbide (in collaboration with Carbide USA)
NOCIL (in collaboration with Royal Dutch/Shell Group)
Herdillia Chemicals (with BP (Indian Agencies) Ltd UK)

Following their development a number of downstream units in the PVC field were established. Some 35% of India's total chemical industry (dyestuffs, pesticides, petrochemicals, man-made fibre, soaps and detergents but excluding fertilizers) are situated in and around Bombay.

10. Oil and Natural Gas: Bombay is ONGC's offshore exploration production centre. Offshore production began on 21 May 1976 from two wells from Bombay High field which is an area of 15 sq km in the Arabian Sea about 200 km northwest of Bombay. Present production is around 6 million tonnes of crude per annum and 2 million cubic meters of gas per day.

11. By 1983-84 the production of crude was scheduled to be stepped up to 12.5 million tonnes p.a. but now the Government of India has ambitious plans to increase it to 20 million tonnes p.a. by 1983 with the help of CFP, the French consultancy firm

12. Availability of gas by 1983-84 will be not less than 20 million cubic meters a day.

13. Oil and associated gas are pumped through pipelines over a distance of 200 km to Uran terminal, an island opposite Bombay, where LPG plant and crude stabilisation plants are set up.

14. GOI's policy is to use natural gas mainly as a feedstock for value added products like fertilizers and petrochemicals. It is proposed to set up 10/gas-based fertilizer plants of not less than 1350 tonnes ammonia per day capacity. Two of these are being set up at Thal Vaishet (some 100 miles by road from Bombay) and two are being set up at Hajira in Gujarat. The remaining will be set up in Madhya Pradesh, Rajasthan and Uttar Pradesh. Further, 19 more fertilizer plants are proposed - 8 for nitrogen and 11 for phosphates.

15. Petrochemical plant of some 300,000 tonnes ethylene and 40,000 tonnes propylene capacity will be set up at Usar in Alibag District in Maharashtra.

16. Pharmaceutical Industry: There are some 5,200 licensed drug manufacturers in India, of which 2000 are established in Maharashtra, most are in Bombay. Of the 140 large units producing

Large-size

/basic

basic drugs and pharmaceuticals in India, 65 are situated in the Bombay/Thane region. The total annual production of pharmaceuticals is Rs.12,000 million of which Bombay accounts for 60%. The larger pharmaceutical units in Bombay employ about 60,000 while the smaller units employ about half that number.

17. Several of the major pharmaceutical firms: eg Glaxo, Boots, May & Baker, Pfizer, Sandoz, Ciba and Roche have foreign equity.

18. Engineering: Before 1949 there were only a few UK firms engaged in engineering, eg Mackenzies Ltd. and Richardson & Cruddas, but rapid development of the engineering industry took place after 1950. There are now 15-20 large engineering units producing heavy electrical and non-electrical equipment, nuclear and power plant, tube-making, railway equipment, non-ferrous production and heavy fabrication. In addition, numerous small firms have assisted with the development of Bombay's engineering industry. Engineering industries account for 22% of Maharashtra's industrial output.

19. Atomic Energy: The responsibility for controlling and developing atomic energy lies with the Atomic Energy Establishment, headquartered in Bombay. Established in 1954 under GOI with a number of divisions working in various disciplines including atomic mineral development, supporting industrial operations, research and application, etc. The Bhabha Atomic Research Centre in Bombay which employs about 10,000 people including 4,000 scientists and 3,500 technicians, is the AEE's most important division and a national centre for research and development in nuclear sciences.

20. There are four research reactors at Trombay 15 miles north of Bombay - CIRUS (40 MW), Apsara (1 MW), Zerlina (a zero energy thermal reactor), Purnima (a zero energy fast reactor). CIRUS was built with Canadian assistance. The others were built wholly by Indian scientists and engineers who are presently building a 100 MW thermal reactor (R.5) as an additional research facility. BARC's Indian scientists and engineers have also commissioned a plutonium plant for processing reactor fuel waste to recover plutonium. One of India's two Atomic Energy stations producing electrical power is located at Tarapur some 80 miles north of Bombay.

21. Shipping and Shipbuilding: Most major Indian shipping companies have their head offices in Bombay. Shipping activities are dominated by the Shipping Corporation of India (owned by Government of India) followed by the privately owned Scindia Steam Navigation Co and Great Eastern Shipping Co Ltd both of Bombay.

22. The only significant shipbuilding activity in this region is Mazagon Dock Ltd (owned by Ministry of Defence, Government of India). It has the capability to build craft upto 140 meters length including destroyers, frigates, submarines, patrol craft, assault boats, small passenger vessels, dredgers and fishing trawlers. They have a French collaboration to fabricate some 40 offshore platforms for ONGC. Their capacity to build merchant ships is 3 each of 15,000 DWT every two years.

23. Goa Shipyard Ltd., a subsidiary of Mazagon Dock, in Goa constructs vessels upto 1000 DWT and upto 70 meters in length. The yard specialises in building fishing trawlers, dredgers, barges, etc.

24. Apart from these two there are half a dozen smaller yards, mostly engaged in building barges. These smaller yards are privately owned.

25. Labour Relations: Until 1950 labour was dominated by Communists as they had entrenched themselves from 1970s in the major industry in this region - textiles. This position has now changed and the loyalties of the workers are split with the broadening of the industrial base into engineering, petrochemicals and pharmaceuticals. There are some areas where the Socialists are strong such as engineering and the docks, but the majority of the factory force owes allegiance to 3 or 4 labour leaders whose political loyalties are not easily assessed. 1979/80 saw unprecedented labour unrest largely affecting Greater Bombay/Thane region. The Chief Minister of Maharashtra, Mr Antulay, has been particularly active in trying to persuade both the employers and unions to make peace. He has had some success.

26. Area-outside Bombay: The only area outside Bombay (and Thane) where there has been a major conglomeration of industries is Pune, some 100 miles east. There is no concentration of any particular industries there - all types, ranging from chemicals to engineering and from paper to diesel engines. The State Industrial & Investment Corporation of Maharashtra Ltd (SICOM) are trying to disperse this concentration and in this they are greatly assisted by the Maharashtra Industrial Development Corporation (MIDC), an agency responsible for erecting necessary infra-structure in under-developed regions. As a result, new centres of development are merging in Nasik, Roha, Tarapur, Ahmednagar, Aurangabad and Satara. GOI's policy not to allow large units to be established in cities with a population of more than half a million should assist SICOM and MIDC to develop these areas as large industrial centres in due course. Maharashtra produces nearly 40% of India's sugar production. This agricultural based industry is concentrated in the Western part of the State. There are 75 sugar factories in this area out of which 65 are entirely managed by Cooperative Societies.

GUJARAT

27. In order of contribution to value added by manufacture by organised sector, Gujarat is second in the industrial ranking of Indian States. It has 5% of India's population; urbanisation is 23%; it has 10,000 factories (9% of all India), and an industrial employment of 800,000. Gujarat produces 10% of gross value of output and value added by manufacture by the organised industrial sector of India.

28. Organised manufacturing activity is largely concentrated in Ahmedabad (urbanisation of the district 67%) and Baroda and to a small extent in Surat, Jamnagar, Bhavnagar and Rajkot.

29. Gujarat has the following important industries:

- a) Textiles including ginning and pressing of cotton
- b) Heavy chemicals including salt, soda-ash, petrochemicals, drugs and pharmaceuticals, and fertilizers
- c) General electrical engineering
- d) Food, beverages and tobacco
- e) Mineral based industries
- f) Cement

30. Ahmedabad, the State's important centre of the textile industry, has 61 textile mills accounting for an industrial population of 150,000 workers.

31. There is no substantial engineering industry in Gujarat. There are a few pockets such as Rajkot, which is a centre of small operators producing substantial quantities of diesel engines, and Surat, which is India's major centre of diamond-cutting where about

350,000 people are employed in this trade. In Ahmedabad there are many small/medium workshops producing textile machinery.

32. The establishment of dairies has been of major significance to Gujarat's economy. The cooperative dairy complex at Anand (100 miles south of Ahmedabad) is considered to be a model for the development of mother and feeder dairies elsewhere in India and throughout the world. The National Dairy Development Board's headquarters are located at Anand, Gujarat.

33. Gujarat is making progress in establishing a successful fishing industry on the Verawal coast.

Baroda

34. A radical change in the State's pattern of industrial development whose economy was formerly textile oriented, was ushered in with the discovery of oil in 1960 in Ankleshwar (85 kms south of Baroda) in South Gujarat. Ankleshwar is the main onshore field of Oil & Natural Gas Commission. However production of oil from this field has been declining and at present is around 3 million tonnes p.a. Exploratory drilling by ONGC has opened prospects in onshore areas at Dahej and Lunej and at Mid and South Tapti basin, at mouth of Cambay in offshore field.

35. This discovery of oil led to the establishment of following projects:

- i) 3.65 million tonne refinery at Koyali near Baroda by Indian Oil Corporation. Its capacity has now been increased to 7.3 million tonnes
- ii) Gujarat State Fertilizers Co Ltd for manufacture of fertilizers, caprolactum. Production of fertilizers and caprolactum during 1979 was 533,172 metric tonnes and 14,000 metric tonnes.
GSFC and Government of Gujarat have promoted Gujarat Narmada Valley Fertilizers Co Ltd, - a fuel oil based fertilizer project is being set up at Bharuch for manufacture of 445,000 tonnes p.a. ammonia and 594,000 tonnes p.a. urea.
- iii) Indian Petrochemicals Corpn Ltd. is a vast petrochemical complex comprising of Rs.600 million Olefin project and Rs.280 million Aromatics project. Olefins project has been implemented in collaboration with Lummus UK. British aid of £4.1 million was given for the project. The main products are 130,000 tonnes p.a. of ethylene, 38,000 tonnes p.a. of polymer grade propylene, 33,250 tonnes^{pa} of industrial grade propylene, 23,875 tonnes p.a. benzene and 18,100 tonnes pa butadiene.

The Aromatics project comprises of two units of DMT and Xylenes

36. Exploration continues for off-shore oil in the Gulf of Cambay.

37. Geological surveys have shown large reserves of minerals of industrial importance such as lignite, coal, bauxite, graphite, limestone, dolomite, fire clays, quartzs, bentonite and flurospar.

Discovery of these minerals has led to the establishment of soda-ash plants (Gujarat produces 94% of the national production) and a large fluorspar project near Baroda. The State run Gujarat Mineral Development Corporation is a focal point for development of mineral based industries and is one of the important public sector corporations in Gujarat.

38. Minerals are found all over Gujarat. The State has a fairly large cement industry largely concentrated in Kutch and Jamnagar. A very large cement producing complex is about to be established in South Saurashtra primarily for the Narmada Development scheme.

39. The Government of Gujarat has formed several State Corporations to exploit new discoveries more systematically. Among them are the Gujarat Mineral Development Corporation (mentioned above) and the Gujarat Industrial Investment Corporation. They explore possibilities of joint ventures.

40. Direction of Future Development: Gujarat's economy is rapidly becoming petrochemical oriented. Some of these projects are well past the planning stage and are under implementation:

- a) A pipeline is proposed to connect offshore gas from the Bassein field to Ubrat in Gujarat
- b) Two fertilizer factories will be established at Hajira in Surat District each for producing 1350 m tonnes of ammonia per day by utilising Bombay offshore gas. (British aid allocated - Rs.80 crores - of which Rs.53 crores grant for steam generation plant to be supplied by Foster Wheeler)
- c) Establishment of a second petrochemical complex on the lines of IPCL's Baroda complex by utilising offshore gas
- d) Many projects are being considered by the Gujarat Industrial Investment Corporation which may require foreign collaboration, including hydrogen peroxide, chlorosilane and pyridine, etc.

The Narmada Development Authority should shortly be established which will set up over 15 years the vast Narmada Irrigation Scheme for Gujarat on the lines of the Tennessee Valley Authority Scheme in USA.

MADHYA PRADESH

41. The State covers the largest area in India and is potentially extremely rich in mineral wealth. Thinly populated, this State is considered to be one of the most under-developed. (Value added in industry per capita: Maharashtra 316, Gujarat 226, Madhya Pradesh 73. All India average 120).

42. Madhya Pradesh has 30% of India's total coal deposits (the reserves are estimated to be 5000 million tonnes). It is one of the few areas in the world with large reserves of manganese ore. It possesses a third of India's total reserves of high grade bauxite. It is the leading producer of limestone in India. The State is rich in dolomite, copper, fireclay, etc. It possesses 27% of the total forest area in the country.

43. In spite of its potential, Madhya Pradesh is industrially one of the most under-developed States. GOI has tried to assist the State by setting up the following four important public sector undertakings:

- a) Bharat Heavy Electricals Ltd (BHEL): producers of heavy electrical equipment. Originally established some 20 years ago with cooperation from ABE
They have many collaborations but the most important is with West Germany - KWU for producing steam generating sets from 200 MW to 1000 MW. Other collaborations - British technology for 120 MW sets, Czech for 110 MW sets; with International Combustion USA for boilers
- b) Bhilai Steel Plant, Bhilai near Raipur: designed by Russians. Capacity to produce 2.5 million tonnes of steel. This is being raised to 4 million tonnes.
- c) Nepanagar Newsprint Factory: the only producers of newsprint in India
- d) Bharat Aluminium Co Ltd, Korba: manufacturers of alumina and aluminium. Designed by Hungarians.

44. BHEL are undertaking a major expansion of their production capacity which is expected to afford excellent export opportunities to foreign machine tool manufacturers.

45. The only significant area, apart from the above four centres, where some industrial development has taken place, is Indore which has a fairly broadbased industrialisation. Dewas, about 30 miles from Indore, is undergoing new industrial development. India's largest leather garment unit (Tata Exports Ltd) and a number of engineering units are established there.

GOA

46. Goa is prominent for its production and export of iron ore. The entire output (12 to 14 million tonnes a year) is exported to Japanese steel mills, about 50% of India's total exports of iron ore.

47. Goan mine owners (Chowgule, Dempo, Salgaonkar) have established their own shipping firms. As a result, there is some development of the shipping industry largely contributed by these mine owners who prefer to have their own ships to export iron ore.

PORTS IN WESTERN INDIA

48. The major port is Bombay which last year handled traffic amounting to 17 million tonnes. There are three docks in the Bombay port. The biggest dock (Indira) can accommodate ships of 22,000 DWT (30-34 ft draught). The port has one berth to handle container traffic.

49. The Government of India have been considering creating additional facilities costing Rs.1,200 million at Nhava Sheva across the harbour for handling bulk cargoes.

50. Kandla port in Gujarat has modern equipment but the handling capacity is limited. On an average it handles about 10% the amount handled by Bombay port.

51. Marmagao in Goa is a port of significance for ore exports.

BANKING

52. Bombay is the centre of banking in India. The headquarters of the Reserve Bank of India and the State Bank of India, with some 5,300 branches, the head offices of most of India's leading commercial banks are to be found in Bombay. Among the foreign banks which operate in India, those with British connections include

British Bank of the Middle East
The Chartered Bank
Grindlays Bank
Mercantile Bank.

All the above banks have their main offices in Bombay. In addition, the Barclays Group of Banks have recently installed their first representative in Bombay.

FREE TRADE ZONES

53. The only two free trade zones in India are operating in the Western Region:

- a) Kandla Free Trade Zone, Gujarat: This zone, established in 1965, is not confined to any particular industries. Only 100% export-oriented industries can be set up here, with or without foreign collaboration. Various incentives given by the Government of India have however so far failed to develop this zone in line with Government's expectations
- b) Santa Cruz Electronics Export Processing Zone, Bombay: The only such zone specialising in electronics in the world. Established in 1972 but progress is slow. There are some British collaborations.

NB 1 crore = 10 million

BOMBAY
15 April 1981

BRITISH DEPUTY HIGH COMMISSION BOMBAY
COMMERCIAL SECTION

APRIL 1981

BRITISH BUSINESS VISITORS TO BOMBAY

<u>YEAR</u>	<u>NUMBER</u>
1981*	90
1980	189
1979	102
1978	135
1977	103

<u>YEAR</u>	<u>TOTAL NO OF MISSIONS</u>	<u>NO OF FIRMS REPRESENTED</u>	<u>NO OF MISSION MEMBERS REQUIRING INDIVIDUAL ASSISTANCE</u>
1981*	4	35	9
1980	2	22	7
1979	3	29	22
1978	5	43	10
1977	1	12	1

NB. Birmingham and Glasgow Chambers of Commerce Missions
expected in 1981

* Upto 15.4.81

BOMBAY

16 April 1981

BRITISH DEPUTY HIGH COMMISSION BOMBAY
COMMERCIAL SECTION
APRIL 1981

OPPORTUNITIES FOR THE UK IN THE INDIAN
ENERGY SECTOR: OIL & NATURAL GAS

The following is confined to offshore oil and natural gas (ie excluding onshore oil and natural gas).

2. Bombay Offshore Project of Oil & Natural Gas Commission is the only agency producing oil and natural gas from offshore fields at present, although Oil India has been designated to explore offshore in Mahanadi basin. Present offshore oil production of ONGC is around 6 million tonnes per annum and about 2 million cubic metres of associated gas per day.

Reserves

3. ONGC in its offshore efforts have so far drilled 88 exploratory wells (of these 31 proved dry). Recoverable reserves of the order of 240 to 250 million tonnes of oil and 270 billion cubic metres of associated/free gas were established in January 1980.

Offshore areas - Bombay High

4. Bombay High is the main field which produces 120,000 barrels of crude and 2 million cubic metres of associated gas per day. It covers an area of 15 sq kms in the Arabian Sea about 200 km north-west of Bombay where production first started in 1976.

Other fields

5. Other fields where presence of hydrocarbons are found in commercially exploitable quantities are (1) gas bearing fields, South Bassein and South and Middle Tapti, (2) North Bassein, Godavari basin oil fields, (3) gas in Andamans offshore. Indications of gas are also available in structures near Parto Noro ie offshore Pondicherry. The present production of oil and gas comes exclusively from Bombay High field.

Development of Bombay High

6. The programme of Bombay High development has been taken up in stages from 1976. The III-B stage (which ended in late 1980) with the outlay of Rs.534 crores (£267 m) envisaged production of 7 million tonnes of oil. We are now in the IV phase of development for which an outlay of Rs.370 crores (£185 m) has been made. It is intended to step up production capacity from 7 million tonnes to 12 million tonnes. The Government of India have very ambitious plans to enhance it further to 20 million tonnes and have appointed CFP France to advise in this connection.

7. During these development stages the following areas of offshore requirements and tenders based thereon have been noticed.

Rig requirements: mainly jack-ups, drill ships, floaters for deep sea exploration

Platforms: well platforms (some built by Mazagon Dock), process platforms, gas platforms

SBM system: for bringing oil on to the shore where pipeline is not laid

Gas fractionation/LPG plant: for extraction of various gas fractions such as methane, ethane, propane and extraction of LPG from butane

Crude stabilisation: removing mercaptans adding pour point depressant to keep the crude from solidifying

Pipeline: with compressors to carry oil and gas to the terminal

Tank farm: to store crude at terminal

Multipurpose support vessel: to be available near the offshore structures to provide diving, fire-fighting, oil pollution prevention facilities if needed

Supply vessels: to carry technicians, cargo to offshore rigs/platforms from the base

Supply base: for loading/unloading, repairing supply vessels

Helicopters: to transport crew from shore to offshore

Diving: for maintenance, inspection of offshore structures. Inspection/Geophysical vessels for geophysical, mineral, survey exploration

Telemetry system for transmission of production data via satellite.

8. With reference to these offshore requirements, the following British firms have been/are associated with ONGC:

- 1) OMISCO - Technical advisers for purchase inspection and maintenance of offshore structures
Contact: Mr Penny
- 2) BP Engineering Co - Telemetry and telecom main consultancy
- 3) Wharton & Williams - Under water engineering and diving services for platform maintenance.
Advisers to Mazagon Dock
- 4) Northern Offshore - Multipurpose supply vessel
- 5) Small & Co and } Chartering and manning
- 6) Northern Offshore Services } supply boats
- 7) Ruston Gas Turbines - Gas turbines for LPG plant
- 8) Land & Marine - Small section of Bombay-Uran pipeline
- 9) Pipe Technologists UK - Consultants, Bombay-Uran pipeline
- 10) Peter Fraenkel - Design consultancy for Nhava supply base
- 11) 2 WS - Sacrificial anodes
- 12) GEC - Subcontract for IHI Japan for supply of compressors and turbines for platforms
- 13) Oilfield Hydrographic Products Ltd - Subcontractors for OSA, W Germany for hydrographic surveys
- 14) Kellogg UK - Consultants for Uran LPG plant

/15)..

- 15) Seaforth Maritime collaboration with Mazagon for initial supply and subsequent manufacture of bounce bell and saturation diving systems
- 16) Westland Helicopters - are trying to be shortlisted to supply WG 30 civilian helicopter for ONGC's requirements.

Future plans

9. In the 6th five year plan period i.e. 1981-85 for which financial outlay of Rs.28,376 million (£158.8 m) has been made, ONGC envisages drilling 95 exploratory wells and 229 development wells. For this purpose ONGC intend to own 5 jack-up drilling rigs. Apart from Sagar Samrat (Japan) which is owned by ONGC, Sagar Vikas (jack-up) from Hitachi, Japan Rs.22 crores (£11 m) and Sagar Pragati (jack-up) from CFEM France Rs.29 crores (£14.5m) have been purchased.

10. Tenders for hire and ultimate purchase of two more jack-up rigs has already been floated and orders are likely to be placed shortly. Delivery expected in 1982. ONGC, in the near future, is likely to issue tender for a drillship rig which is expected to operate in deep sea in Godavari basin.

11. The number of platforms to be installed in sixth plan will be some 50. The offshore working season lasts for 6-8 months excluding monsoon months which means ONGC will install one platform every month for the next five years. Besides there will be need for 300 to 400 kms of submarine pipelines. ONGC, by December 1983, intend to acquire 19 supply vessels (15 new, 4 secondhand). Some of these would be anchor handling type and some supply boats. These requirements are based on discoveries made so far. Should the other fields Andaman, Novo Parto, Godavari, prove commercially viable, ONGC's requirements of heavy equipment would naturally increase.

12. Some of the important projects based on oil and gas exploration/exploitation and related activities to be undertaken upto 1985 are listed below:

- 1) Nhava supply base - revised plan preparation - consultancy contract to Peter Fraenkel UK
- 2) Commissioning of LPG and gas fractionation plant at Uran - 1981
- 3) Commissioning of crude stabilisation plant at Uran - 1981
- 4) Expansion of LPG and crude stabilisation plant by 1985
- 5) Gas fractionation plant at Hajira
- 6) Subsea wells in South Bassein gas fields
- 7) Computerisation of production data
- 8) Conversion of gas to ammonia/methane/on portable mobile plants
- 9) Development of smaller gas fields
- 10) Techno economic study for deep water structures for production of oil and gas

/11)..

- 11) Second multipurpose vessel to be built by Mazagon Dock in 1981
- 12) Inspection vessel
- 13) Foreign contracts for well acidisation and well stimulation
- 14) Computer based spare parts management
- 15) Intelligent pigs for pipelines as anti corrosion measure
- 16) Complete renovation of Aureshak, the geophysical seismic survey vessel owned by ONGC and fitting it with third generation equipment
- 17) Bassein Ubhrat pipeline and Uran Thal pipeline.

ONGC's working system

13. ONGC prefer to appoint independent consultancy firms for design and supervision of some of their major requirements. Over the last year or so they have issued consultancy tenders for the following:

- 1) Supervision of construction of Multi Purpose Supply Vessel - global
- 2) Design and supervision of 2 jack-up rigs to be built either in Japan, France or Singapore. Earlier similar consultancy contracts have been awarded to American Bureau of Shipping and Bureaus Veritas France
- 3) Design and supervision of Nhava base - Peter Fraenkel
- 4) Supervision of installation of 2 gas turbine sets likely to go to a local firm
- 5) Design and recommendation of supply boats consultancy given to Inter maritime Co of S M Nanda.

We find that there is a good response for consultancy tenders from British firms.

British Industry

14. The major part of ONGC's requirements are rigs and platforms but unfortunately British industry has nothing to offer in this important sector. Marathon yard the only jack-up rigs yard has been taken over by UIE, the French company. British Shipbuilders, in their recent reorganisation, have created an Offshore Division headed by Mr C Parker. They have also reserved Scot Lithgow Yard exclusively for construction of offshore structures. This should in future enable British Shipbuilders to quote for rigs and platforms. As regards platforms when the initial forays of Mathew Hall, Redpath Dorman Long proved unsuccessful and when Mazagon collaborated with ETPM for platform construction, British interest practically ceased. ONGC looks to USA (McDermots), Japan (Mitsubishi, Hitachi), France (ETPM) for their requirements. It is understood that apart from Mazagon Dock (the public sector organisation), Dodsall Pvt Ltd., a private sector company headed by Kilachands, is intending to manufacture offshore platforms in collaboration with Mannesmann, W. Germany. As mentioned earlier, British firms like Pipe Technologists, Land & Marine and Wharton & Williams have interests in pipeline laying and maintenance requirements of ONGC.

/The

15. The main thrust of British industry is in consultancy fields and equipment required offshore based on Britain's long experience in navy and hydrographic surveys. As mentioned elsewhere, a number of consultancy firms express their interest to undertake consultancies for design and supervision of supply boats, drilling rigs (although rigs to be built in foreign countries), civil construction, non-destructive testing, personnel supply, etc. As regards equipment, British companies have chartered multipurpose supply vessels, supply boats, etc. There is fairly good response in communications field.

16. As regards routine drilling requirements such as casing pipes, christmas tree, valves, etc., we are not aware of any British firms who supply on a regular basis. Two years ago we had circulated ONGC's substantial requirements of vam casings. British Steel Corporation quoted, but the order was placed with a French company who collaborate with British Steel for manufacture of vam casings. Shell supplies pour point depressant which is required to offset the low setting point of Bombay High crude because of high wax content. Generally ONGC turns to Houston for their routine requirements.

Oil Exploration Contracts

17. Government of India have recently opened 32 blocks of which 17 are offshore for exploration by foreign companies. The areas where ONGC has already discovered the existence of hydrocarbons have been excluded from these blocks and reserved for exploitation by ONGC. 34 foreign firms have been shortlisted for this purpose. Of these British Petroleum Co., Burmah Oil Co., Gulf Oil are the British companies who have been shortlisted. The split-up of these 34 companies is as follows:

19	USA
3	UK
2	French
1	Italy
1	W Germany
2	Canada
1	Spain
1	Romania
2	Singapore
1	Brazil
<u>1</u>	Dutch
34	Total (list below)

Government is setting up a special directorate to monitor activities of these companies which will be associated with the foreign companies. The terms and conditions of contracts with these foreign firms are being finalised. Technical discussions with the majority of these firms have already taken place. Some private sector Indian companies like DCM, Thapar are proposing to collaborate with foreign companies for exploration.

18. This development, the major stepping up of offshore activity, should open up considerable opportunities for British industry, if not for direct exports to India then as sub-contractors.

/Gas

Gas Developments

19. As mentioned elsewhere production of associated gas is around 2 million cubic metres per day. It is expected that at the end of IV phase when oil production would reach 12 million tonnes p.a. production of associated gas will go up to 3.5 million cubic metres per day. South Bassein, South Tapti and Mid-Tapti are mainly gas fields. A conservative estimate is a yield between 20-25 million cubic metres of gas per day when these fields are developed. This gas could be used directly as a source of energy but as recommended by Satish Chandra Committee the gas will be used for value added purposes such as fertilizers and petrochemicals. 10 fertilizer plants of not less than 1350 tonnes of ammonia per day, and two petrochemicals complexes will be set up in Maharashtra and Gujarat. Two of the fertilizer plants are being set up at Thal and Vaishet in Maharashtra and two at Hajira in Gujarat. All these gas based development projects should provide plenty of opportunities for the UK industry.

Finance

20. With oil import bill accounting for at least 58% of India's exports, foreign exchange position is becoming tighter and GOI encourages importers of major project equipment to invite foreign firms to offer aid/credit package. ONGC is no exception. Many a time the decision is dictated by the terms of financial credit/aid offered rather than the competence of the equipment offered. One such case is the present wrangling over the order for MPSV where credit terms offered by Norway and Britain are proving crucial factors.

21. ONGC in the past have secured both Eurodollar and World Bank loan (\$ 150 million) credit and have now again received \$ 200 million Eurodollar loan (7 year repayment @ 3/8% over LIBOR for the first two years and $\frac{1}{2}$ % over LIBOR for the remaining period. Moratorium period of 2 years) and World Bank loan to the tune of \$ 400 million (@ 9 1/4% pa on amounts drawn and a commitment charge of 3/4% on amount undrawn; repayable over 20 years including grace period of 5 years). Bilateral credits or project finance is offered by Norway - interests in deep drilling and MPSV and Japan - 1 million yen, for platforms. World Bank loan for pipelines and platforms. Allocation of sector aid for offshore as in the case of coal will go a long way in establishing Britain as a source of supply for offshore requirements.

BOMBAY
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OIL EXPLORATION CONTRACTS (para 17 above)
FOREIGN COMPANIES SHORTLISTED ARE BELIEVED TO INCLUDE:

AGIP	Italy
Amoco International Oil Co	USA
Amerada Hess Corporation	USA
Arco International Oil & Gas Co	USA
British Petroleum Co	UK
Compagnie Francaise Das Petroles	France
Chevron Overseas Petroleum	USA
Continental Oil Co	USA
ELF	France
ESSO	USA
Getty Oil	USA
Canadian Superior	Canada
Union Texas Petroleum	USA
Deminex	West Germany
Burmah Oil	UK
Bow Valley Exploration	Singapore
Sedco Energy Corporation	USA
Rudbey Oil International	Canada
Hispan Oil	Spain
Romp petrol	Romania
Gulf Oil	UK
Marathon International Oil Co	USA
Mobil Oil Corporation	USA
Occidental Petroleum Corpn	USA
Phillips Petroleum	Singapore
Shell Exploration	Holland
Shell Oil	USA
Superior Oil	USA
Texaco International Petroleum Co	USA
Union Oil	USA
Sunmark Exploration Co	USA
Petrobras	Brazil
Cities Service East Asia Inc	USA
Hunt Oil	USA

BRITISH DEPUTY HIGH COMMISSION, BOMBAY
COMMERCIAL SECTION

APRIL 1981

The Automobile & Ancilliary Industry in India

A Broad Scene

The automobile industry in India is almost entirely self-sufficient. The Government of India therefore enforces an extremely restrictive import policy regarding vehicles and spare parts (both original equipment and replacements).

The majority of motor vehicles in India are indigenously manufactured, albeit with foreign collaborations either current or expired. Truck & bus markets are dominated by TATA (Mercedes) & Ashok Leyland (British Leyland). The car markets are mainly supplied by Hindustan Motors (a collaboration based on the Morris Oxford design - Factory - Calcutta) & Premier Automobiles (fiat Factory - Bombay). Importation of foreign vehicles is normally restricted to privileged foreign organisations and staff.

Production figures of motor vehicles for the year ended December 1980.

<u>Manufacture</u>	<u>Make</u>	<u>Production</u>	<u>Total</u>
Mahindra & Mahindra	Jeep	15068	15068
Hindustan Motors	Cars	21752	
Premier Automobiles	"	8729	
Standard Motors	"	6	
Sunrise Auto Ltd	"	51	30538
Ashok Leyland	Commercial Vehicles	12928	
Bajaj Tempo	" "	9801	
Hindustan Motors	" "	4880	
Mahindra & Mahindra	" "	3617	
Premier Automobiles	" "	1235	
Standard Motors	" "	3491	
TELCO	" "	31768	67720

Eicher	Tractors	10635	
Escorts	"	17296	
Gujerat Tractor Corpn	"	986	
Harsha	"	795	
HMT	"	7624	
Kirloskar Tractors	"	2153	
Mahindra & Mahindra	"	11599	
Pittie	"	130	
Punjab Tractors	"	8133	
Tractor & Farm Equipt.	"	7794	67145

The Government of India has approved, or is considering various proposals to increase vehicle production in India, including

<u>Indian Firm</u>	<u>Foreign Collaborator</u>	<u>Product</u>
1) Hindustan Motors	Vauxhall Motors, U.K.	3/5 ton capacity vehicles
2) Ashok Leyland	British Leyland, U.K.	Integral buses
3) Bajaj Tempo	Daimler-Benz, W. Germany	Up-grading of engine
4) Mahindra & Mahindra	Peugeot, France	Up-grading of diesel engine
5) TELCO	Quenble, Kopp & Kansch W. Germany	Manufacture of turbochargers & upgrading of engine
6) Bajaj Tempo	Z.F. of W. Germany	Technology for synchromesh gearbox
7) Ashok Leyland	British Leyland	Import of design/drawings for engine, gear box & rear axle.
8) Bajaj Auto	Kobo & Co. W. Germany	Manufacture of special vehicles for municipal duties.
9) Hindustan Motors	Vauxhall U.K.	New model passenger car & improved engine for this car.

OTHER EXPANSION PROJECTS

1) Ashok Leyland have received Letter of Intent from Government of India to expand its capacity for medium duty commercial vehicles from 12,000 to 40,000 units. Two new plants with a capacity of 12,500 vehicles each are being set up at Bhandaraj in Maharashtra & Alwar in Rajasthan. The investment for these plants is Rs 860 million (£ 43 million) each is part of the Rs. 2700 million (£ 135 million) expansion programme to increase overall capacity to 40,000 vehicles by 1986-87. Production of three axle trucks with turbo charged engines is envisaged.

2) Ford trucks (UK) will be assembled in India for the first time by Simpson & Co of Madras. A £12 million contract has been signed for the import of 3000 CKD units of 7½ tonner "D" series Ford lorries, but without engines. The 6 cylinder engines will be manufactured by Simpsons under licence from Perkins Engines of Peterborough, UK. The assembly programme is 3000 CKD units in the first year, 6000 in the second reaching to full licenced capacity of 12000 by 1984.

3) TELCO - Tata Engg & Locomotive Co. Ltd. the largest truck manufacturers in the country with a licenced capacity of 36,000 vehicles have major expansion project to raise the capacity to 56,000 vehicles involving a capital outlay of Rs 4700 Million (£235 million).

4) The TVS Group of Madras are setting up a plant in Chinglepet for the manufacture of 24000 Nos. axle housings and 20,000 Nos differential head assemblies in collaboration with Eaton Axles of U.K. with an investment of Rs 29.4 million (£1.47 million).

5) A Rs 60 million (£ 3 million) project for the manufacture of pressed parts and body panels for commercial vehicles & integral buses being set up at Onda in Goa by the Automobile Corpn of Goa Ltd., a company jointly promoted by TELCO & the Economic Development Corpn of Goa, Daman & Diu. The plant is expected to go into production by 1982/83.

As a result of the above expansion schemes involving a total investment of £ 336 million during the next five years the potential market of automobile ancillaries is expected to increase considerably. As it is today the annual demand of auto components in India exceeds Rs 3000 Million (£ 150 million) and this is totally met by indigenous industry comprising of a large number of firms in the organised sector and over 700 units in the small & medium scale sectors. Value-wise more than 60% of the production is accounted for by a dozen product groups such as engines, transmission, suspension, steering, instruments & electricals, etc. Some of the more prominent ancillary manufacturers in the organised sector have foreign collaborations and are original equipment suppliers to the vehicle manufacturers.

The directory of the All-India Automobile & Ancillary Industries Association which is a representative body of ancillary manufacturers have projected item-wise Estimated Demand of Auto-Ancillaries for 1982-83. These when compared with the existing licenced capacities of the various manufacturing units illustrate shortfalls in production. These are :

ESTIMATED DEMAND OF AUTO-ANCILLARIES 1982-83

Component	O.E.	Replacement	Total	Licenced Capacity	Shortfall
Pistons	1,842,800	5,036,000	6,878,800	5,840,000	1,038,800
Pistons Rings	7,272,000	35,687,000	42,959,000	73,900,000	--
Piston Pins	1,842,800	5,036,000	6,878,800	6,020,000	858,800
Gaskets	18,034,500	86,181,000	104,215,500	158,000,000	--
Engine Valves	2,555,600	8,952,000	11,507,600	14,480,000	--
Carburettors	696,500	115,500	812,000	1,376,000	--
Fuel Pumps (petrol)	52,500	28,000	50,500	180,000	--
Fuel Pumps M/C	157,700	11,300	169,000	280,000	--
Fuel Pumps S/c	300,000	40,000	340,000	1,125,080	--
Nozzle Holders	1,052,800	76,200	1,129,000	1,938,080	--
Nozzles	1,052,800	6,219,600	7,272,400	8,420,080	--
Elements	1,052,800	4,886,000	5,938,800	7,340,080	--
Delivery Valves	1,052,800	5,220,000	6,272,800	6,422,080	--
Radiators & Cores	190,200	230,500	420,700	182,000	238,700
Flywheel Ring Gear	190,200	242,000	432,200	302,000	130,200
Thinwall Bearings, Bushes, Thrust Washers	12,752,000	37,523,000	50,275,000	41,540,000	8,735,000
Starter Motors	190,200	39,800	230,000	288,000	--
Generators	190,200	39,800	230,000	327,000	--
Voltage Regulators	190,200	492,300	682,500	638,000	44,500
Distributors	52,500	7,500	60,000	140,000	--
Spark Plugs	850,000	6,330,000	7,180,000	5,400,000	1,780,000
Flywheel Magnetos	640,000	34,000	674,000	360,000	314,000
Clutch Assembly	190,200	157,000	347,200	452,720	--

Component	O.E.	Replacement	Total	Licensed Capacity	Shortfall
Clutch Plates	190,200	1,168,000	1,358,200	971,600	386,600
Clutch Facings	380,400	5,142,600	5,523,000	8,400,000	--
Steering Gears	190,200	44,800	235,000	230,000	5,000
Tie Rod Ends	380,400	1,413,600	1,794,000	1,396,000	398,000
Gears (Tonnes)	22,450	62,270	84,720	12,460	72,260
Propeller Shafts	214,500	308,600	523,100	575,000	--
U.J. Cross	356,000	1,576,000	1,932,000	2,310,000	--
Crown Wheel & Pinions	202,200	467,300	669,500	--	--
Rear Axle Shafts	380,400	697,600	1,077,000	420,000	657,000
Scotter Wheels	1,360,000	23,000	1,383,000	--	--
Wheels	1,023,800	16,300	1,040,100	1,280,000	--
Leaf Springs (Tonnes)	9,480	28,495	37,975	--	--
Shock Absorbers	1,630,000	4,005,000	5,635,000	2,608,000	3,027,000
Brake Assembly	190,200	--	190,200	196,000	--
Air Brakes	61,000	--	61,000	136,000	--
Brake Linings (Tonnes)	680	4,400	5,080	7,510	--
Head Lamps	1,020,400	312,000	1,332,400	910,000	422,400
Wiper Motors	141,500	193,800	335,300	430,000	--
Electric Horns (Pairs)	1,024,400	1,581,000	2,605,000	1,366,000	1,239,000
Flasher Units	141,500	894,000	1,035,500	--	--
Speedometers	781,500	309,800	1,091,300	1,900,000	--
Panel Instruments	190,200	178,800	369,000		

Apart from the projections by the AIAAIA the guidelines for Industries 1980, a publication of the Ministry of Industry, Government of India have also projected gaps in production of certain specified components and more importantly have identified products where foreign collaborations would be considered.

<u>Item</u>	<u>Where foreign collaborations will be allowed</u>
1) Air Brakes	Proposals involving new technology will be considered on merit.
2) Auto Electrical Equipment Starters, Generators, Voltage Regulators, Distributors	70% of production comes from a single source (Lucas-TVS). Govt wishes to broaden supply base and will welcome new proposals. Expansion of existing units will also be considered.
3) Carburettors	Since carburettors for cars & jeeps manufactured from a single major source, proposals for manufacture of such carburettors could be considered favourably.
4) Clutch Assembly & Clutch Plates	Expansion of existing units for meeting increased demand potential will be encouraged.
5) Crank shafts	Existing capacity is insufficient. Scope for creation of further capacity in this sector.
6) Dash Board Instruments	Existing capacity is insufficient. Expansion of existing units will be encouraged. Proposals with new technology & designs will be considered on merit.
7) Delivery Valves	Well-conceived proposals along with foreign collaborations could be considered on merit.

- 8) Flywheel Magnetos With increase in production of two wheelors, the existing capacity will be inadequate. There is scope for creation of fresh capacity. Proposals for foreign collaborations would be welcome.
- 9) Fly-Wheel Ring Gears With envisaged increase in vehicle production, existing capacity would be insufficient. There is scope for creation of fresh capacity.
- 10) Friction Materials
Brake linings & clutch facings No scope. Any increase in demand would be met through suitable expansion of existing units.
- 11) Gaskets No scope. Existing capacity is sufficient.
- 12) Head Lamps 90% of the production comes from two units of which only one has developed expertise for rectangular head lamps. Well conceived proposals, inclusion of foreign collaborations would be considered on merit.
- 13) Hose Assembly There is scope for creation of additional capacity. Foreign collaborations for hoses of high pressure applications could be favourably considered.
- 14) Hydraulic Brake Assembly 60% of the production comes from one of the two existing units. To broaden the supply base well conceived composite proposals for foreign collaborations would be considered on merits.
- 15) Inlet & Exhaust Valves Existing capacity insufficient. There is a good potential for exports. This being a critical item proposals for collaboration would be considered favourably.
- 16) Multi cylinder fuel injection pumps There is virtual monopoly of one unit (Mico/Bosch). Fresh proposals with foreign collaborations would be welcome.
- 17) Pistons Having regard to the ambitious production programme of commercial vehicles & tractors this item has further scope for fresh capacity. Proposals for foreign collaborations would be considered on merits.
- 18) Piston Rings No scope. Existing capacity is considered sufficient.
- 19) Pump Elements Due to increased demand for replacement the existing capacity is insufficient. There is need for creating fresh capacity. This would be integrated with fuel injection equipment.
- 20) Shock Absorbers Replacement requirements are much more than original equipment. Moreover these are also being exported. There is scope for additional capacity. Proposals for foreign collaboration would be considered on merits.

- 21) Single Cylinder Pumps
There is virtual monopoly of one unit (Mico/Bosch) and there is need for an effective alternative source of supply. Proposals for foreign collaboration for the manufacture of fuel injection pumps, single as well as multi cylinder would be considered favourably.
- 22) Steering Gears
Having regard to increased production of vehicles & tractors there is need for creating additional capacity. Proposals for foreign collaborations would be considered on merits.
- 23) Tie Rod Ends
This field offers scope for further capacity. Proposals for foreign collaborations would be considered.
- 24) Wheels
No scope. Although there is need for additional capacity, expansion of existing units would be preferred to establishment of new units.
- 25) Wiper Motors
Although existing capacity is in excess of projected demand, there is a gap between effective capacity & demand. Moreover, two speed wiper motors are not being manufactured at all. Fresh proposals with foreign collaboration would be considered.

FOOT NOTE :

It has been announced today that Standard Motor Products of India Ltd., Madras have launched a Rs 140 million (£ 7 million) modernisation and expansion programme for doubling its production capacity of commercial vehicles from 4000 to 8000 per annum by 1984-85. One of the principal aims of this scheme is to raise the payload of "Standard 20" commercial vehicles from 1.6 tonnes to 3 tonnes. The company will produce both 1.6 & 3 tonne vehicles. The know-how for the engine and gearbox of the proposed three tonner has been secured from British Leyland under the technical development fund but by mid 1983 it is expected to be completely indigenous.

British Deputy High Commission
Bombay
15 April 1981

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TO FLASH NEW DELHI

TELEGRAM NUMBER CREDU U/N OF 16 APRIL.

Private Secretary

FOLLOWING FURTHER TELECON WITH MATHRANI, FROM SECRETARY OF STATE FOR TRADE TO HIGH COMMISSIONER, DELHI.

DELHI.

FOLKLORIC TEXTILES.

AS FURTHER BACKGROUND TO MY PREVIOUS TELEGRAM I THOUGHT IT MIGHT BE USEFUL TO GIVE A SHORT SUMMARY OF THE MAIN TEXTILE ISSUES INVOLVED.

THE INDIANS ARE NOT DEALING HONESTLY IN THIS MATTER. THERE ARE PRECISE DESCRIPTIONS OF EACH TRADITIONAL FOLKLORIC GARMENT IN THE EC/INDIA TEXTILE AGREEMENT. WE AND THE COMMUNITY'S CUSTOMS AUTHORITIES ARE CLEAR IN OUR MINDS THAT THE ITEMS IN DISPUTE DO NOT TALLY WITH THESE DESCRIPTIONS, BUT ARE IN FACT FASHION CLOTHES. (MANY - INCLUDING SOME OF THOSE WE NEVERTHELESS ACCEPTED AS FOLKLORIC - HAVE UNION JACKS AND BRAND NAMES SUCH AS QUOTE FASHION HOUSE UNQUOTE WOVEN INTO THEIR LABELS). THE INDIANS, WHO INITIALLY AGREED THAT MANY OF THE ITEMS DETAINED WERE NOT FOLKLORIC, HAVE ONCE MORE RETRACTED.

THIS SHOULD BE SEEN IN THE CONTEXT OF INDIAN DISSATISFACTION AT BEING UNABLE TO SHIP MORE CLOTHES THAN THEIR NON-FOLKLORIC QUOTAS (AS AGREED BETWEEN THE EC AND INDIA) ALLOW. THE USE OF FOLKLORIC AND HANDLOOM ALLOWANCES OUTSIDE THE NORMAL QUOTA SYSTEM HAS BEEN QUITE SPECTACULAR. FOR INSTANCE IN THE CASE OF WOMEN'S JACKETS, THE QUOTA FOR NON-FOLKLORIC ITEMS WAS 142,000 IN 1980. TOTAL SENDINGS INCLUDING HANDLOOM AND FOLKLORIC JACKETS FOR THE SAME YEAR TOTALLED 714,000.

WE HAVE SHOWN A GREAT DEAL OF FLEXIBILITY ALREADY. ALL THOSE GARMENTS STILL BEING HELD COULD HAVE BEEN CONFISCATED. NEVERTHELESS CUSTOMS HAVE OFFERED ALMOST ALL TO THE IMPORTERS IN QUESTION FOR RELEASE. THIS SHOULD MEAN THAT THE BULK OF THOSE HELD WILL BE CLEARED FROM CUSTOMS IN DUE COURSE.

ANY ATTEMPT TO INTERVENE WITH EXCEPTIONAL MEASURES COULD CAUSE POSSIBLE LITIGATION FROM THOSE IMPORTERS WHO WILL HAVE ALREADY PAID TO HAVE THEIR GOODS CLEARED EITHER FOR SALE IN THE UK OR OUTSIDE THE COMMUNITY (AT A POTENTIAL LOSS). IT WOULD FURTHERMORE UNDERMINE THE CREDIBILITY OF OUR TEXTILE POLICY BOTH WITH DOMESTIC INDUSTRY AND INTERNATIONALLY (NOT LEAST WITH THE LOW-COST EXPORTING COUNTRIES).

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TELEGRAM NUMBER CRED A U/N OF 16 APRIL

FOLLOWING TELECON WITH MATHRANI, FROM SECRETARY OF STATE FOR TRADE TO HIGH COMMISSIONER, DELHI

FOLKLORIC TEXTILES
THE FACTS ARE AS FOLLOWS: CUSTOMS ORIGINALLY SEIZED SOME 21,600 GARMENTS IN 27 CONSIGNMENTS. NINETEEN IMPORTERS WERE INVOLVED.

CUSTOMS SUBSEQUENTLY AGREED THAT TWO CONSIGNMENTS COMPRISING SOME 500 ITEMS COULD BE ACCEPTED AS FALLING WITHIN FOLKLORIC DEFINITION. THESE WERE RELEASED IN JANUARY/FEBRUARY. TWO IMPORTERS WERE INVOLVED.

CUSTOMS CONSIDER THERE IS CLEAR EVIDENCE OF INTENTIONAL FRAUD IN THE CASE OF THREE IMPORTERS, AND ARE CURRENTLY CONSIDERING TAKING ACTION AGAINST THEM. APPROXIMATELY 3,300 GARMENTS ARE INVOLVED.

IMPORTERS OF MOST OF THE REMAINING 18,000 GARMENTS HAVE BEEN TOLD THAT GOODS WILL BE RELEASED EITHER FOR RE-EXPORT UNDER CUSTOMS CONTROL FOR SALE OUTSIDE THE COMMUNITY, OR ALTERNATIVELY FOR SALE IN THE UK IF THEY CAN PRESENT VALID IMPORT LICENCES. THESE WILL BE ISSUED BY THE DEPARTMENT OF TRADE WITHIN 5 DAYS OF APPLICATION AGAINST AN OFFICIAL INDIAN GOVERNMENT EXPORT LICENCE. IN THESE CASES, THE GOODS WILL OF COURSE COUNT AGAINST THE RELEVANT NON-FOLKLORIC QUOTA.

ONE IMPORTER HAS ALREADY TAKEN ADVANTAGE OF THIS OFFER (500 GARMENTS) AND A NUMBER OF OTHER IMPORTERS HAVE TOLD CUSTOMS THAT THEY ARE MAKING ARRANGEMENTS TO DO SO.

YOU SHOULD KNOW THAT TWO OTHER COMMUNITY COUNTRIES (FRANCE AND IRELAND) HAVE SIMILAR MIS-DESCRIPTION PROBLEMS WITH THE INDIANS.

WE MAY BE TOLD THAT IT WOULD BE POSSIBLE FOR US TO INCREASE THE NON-FOLKLORIC MFA QUOTA TO ACCOMMODATE THESE SHIPMENTS. THIS WOULD REQUIRE EC AGREEMENT OF WHICH WE WOULD NOT BE CERTAIN, AND WHICH WOULD TAKE AT LEAST A MONTH TO PROCESS THROUGH BRUSSELS. TO DO SO WOULD RUN ENTIRELY COUNTER TO OUR PREVIOUS POSITION IN THIS PARTICULAR ISSUE, AND PUBLICLY UNDERMINE BOTH DOMESTIC CONFIDENCE AND INTERNATIONAL CREDIBILITY IN OUR STATED POLICY TO TAKE A THOUGH STANCE ON THE IMMINENT RE-NEGOTIATION OF THE MULTIFIBRE ARRANGEMENT (MFA 3). IT IS THEREFORE AN UNACCEPTABLE COURSE.

LINE TO TAKE

THE PROBLEM IS BASICALLY A TECHNICAL AND LEGAL ONE. THREE UK IMPORTERS ARE SUSPECTED OF DELIBERATE FRAUD, AND CUSTOMS AUTHORITIES ARE CONSIDERING LEGAL PROCEEDINGS. IT WOULD CLEARLY BE WRONG FOR THE GOVERNMENT TO INTERVENE IN THESE THREE CASES.

IN THE OTHERS WE HAVE TRIED TO BE HELPFUL. THE GOODS SEIZED ARE LIABLE TO CONFISCATION AND COULD BE DESTROYED BUT CUSTOMS HAVE IN FACT TOLD THE IMPORTERS CONCERNED THAT THE GOODS WILL BE RELEASED EITHER FOR RE-EXPORT FOR SALE OUTSIDE THE COMMUNITY OR FOR SALE ON THE UK MARKET IF A VALID IMPORT LICENCE IS OBTAINED. I UNDERSTAND THAT ONE IMPORTER HAS ALREADY OBTAINED THE NECESSARY LICENCES, AND HIS GOODS HAVE BEEN RELEASED, AND THAT A NUMBER OF OTHERS HAVE TOLD US THAT THEY WILL DO THE SAME. THIS SEEMS TO BE THE BEST WAY OF GETTING ROUND THIS DIFFICULT PROBLEM.

FOR THE FUTURE WE ARE HAPPY TO GO ALONG WITH THE PROPOSAL PUT TO US BY YOUR HIGH COMMISSIONER IN LONDON THAT THERE SHOULD BE TALKS BETWEEN YOUR OFFICIALS AND OUR CUSTOMS PEOPLE TO CLARIFY ANY REMAINING POINTS OF OBSCURITY IN THE CUSTOMS CLASSIFICATIONS RELATING TO TEXTILES.

FURTHER BACKGROUND IS AVAILABLE IN TELNO CRED A 152.

OPIUM

AUSTRALIAN MATERIAL IS SIGNIFICANTLY CHEAPER. IT IS PRODUCED FROM STRAW OF THE WHOLE POPPY. THIS

- (I) ELIMINATES MILKING THE JUICE OF INDIVIDUAL PLANTS WHICH IS BOTH LABOUR-INTENSIVE AND A POTENTIAL SOURCE OF ILLICIT SUPPLY
- (II) GIVE A MUCH HIGHER YIELD IN OPIATES THAN MANUFACTURE FROM RAW OPIUM.

WHAT THE INDIANS ARE EFFECTIVELY ASKING US TO DO IS USE IMPORT LICENSING POWERS (CONTAINED IN THE MISUSE OF DRUGS ACT) DESIGNED TO PREVENT DRUG ABUSE TO STOP OUR MANUFACTURERS EXERCISING WHAT IS A COMMERCIAL JUDGMENT IN FAVOUR OF THE AUSTRALIAN PRODUCT.

SHIPPING

THE INDIAN COMPLAINTS ABOUT THE SHIPPING SERVICE ARE OF LONG STANDING. BRITISH SHIPPING LINES ASSERT THAT PRESSURE ON THEM BY THE INDIAN GOVERNMENT TO KEEP FREIGHT RATES ON THE ROUTE DOWN MEANS THEIR RETURNS ARE TOO LOW TO JUSTIFY INVESTMENT IN NEW SHIPS (INCLUDING CONTAINER SHIPS). MR BIFFEN'S RESPONSE WHEN THE MATTER WAS RAISED AT IBEC IN JANUARY WAS THAT THIS IS A PURELY COMMERCIAL MATTER BETWEEN SHIPPING LINES AND THEIR INDIAN CUSTOMERS. HE ADDED, HOWEVER, THAT THIS WAS A SUBJECT WHICH COULD BE CONSIDERED BY THE JOINT MONITORING COMMITTEE OF CONFERENCE LINES AND INDIAN AND BRITISH SHIPPERS WHICH WAS DUE TO MEET TO LOOK INTO COMMON PROBLEMS. WE UNDERSTAND THIS MEETING WILL TAKE PLACE SHORTLY. THE PRIME MINISTER IS RECOMMENDED TO TAKE THE SAME LINE.

WE HAVE CONSISTENTLY TAKEN THE LINE WITH THE INDIANS THAT NEW INVESTMENT CAN ONLY BE JUSTIFIED BY THE PROSPECT OF AN ADEQUATE RETURN, WHICH DEPENDS ON FREIGHT RATES.

WE HAVE ALSO POINTED TO THE STRONG COMPETITION IN THIS TRADE BETWEEN CONFERENCE AND NON-CONFERENCE LINES AS GUARANTEERING AN ADEQUATE SERVICE IF THE INDIANS ARE PREPARED TO CREATE THE CONDITIONS IN WHICH SUCH A SERVICE CAN BE PROVIDED PROFITABLY.

SUBJECT

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India: Pt 2: UK/Indian Relations
Iraq: Pt 2: Int Sit: Castract
Pakistan: Sept 79: UK/Ind. Relations
Castract

RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND MRS. GANDHI
HELD IN SOUTH BLOCK, NEW DELHI ON WEDNESDAY 15 APRIL 1981

Present: Mrs. Gandhi	The Prime Minister
Mr. Narasimha Rao	Sir John Thomson
Mr. Seyid Muhammed	Sir John Graham
Mr. Krishnaswamy Rao Sahib	Mr. M.K. Ewans
Mr. Sathe	Mr. Ingham
Mr. Malhotra	Mr. Alexander
Mr. Kapur	Mr. Mathrani
Mr. Khosla	Mr. Lankester
Mr. Hiremath	Mr. Jay
Mr. Gharekhan	Mr. Wetherell
Mr. Bhalla	
Mr. Ramanathan	

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Mrs. Gandhi welcomed the Prime Minister and referred to the traditional relations between India and the UK. However nothing could be taken for granted and one had to work hard to give relations greater meaning in changed circumstances. It was fortunate that India and the UK shared a common language. She wanted the Prime Minister's visit to be a success and to strengthen friendship between the two countries.

The Prime Minister said she had looked forward to her visit for a long time and hoped to make it a success. She agreed that it was necessary to work hard at the relationship between the two countries and not to take it for granted. She felt there had not been as much contact between India and the UK as there should have been. Her size, and status as a leading democratic Non-Aligned, and Commonwealth, country put India in a unique position of power and influence, which could be exerted for the benefit, not only of India, but of mankind in general. She knew that relations between India and other countries, such as the US, were not as good as might be expected between two democracies. The Prime Minister wanted to learn how India saw things and how one could help to bring to an end hostilities around the world and make sure that greater conflicts did not

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break out. The weapons of evil were greater now than ever before. But though one could analyse problems, it was not always easy to see the way ahead. She referred to her recent visit to the United States, which like India, enjoyed a great position in the world, and said she would like to give Mrs. Gandhi an account of her discussions with President Reagan and Secretary Haig, whom she had seen again after his recent visit to the Middle East.

The Prime Minister said that quite naturally the American Administration's first priority was to put their economic ideas into practice. It was on these that they had concentrated during their first 5 or 6 weeks in office. The Administration were now turning to all the important foreign affairs questions, but they had not yet made up their minds. She had received the very strong impression that they wanted to consult widely. They were aware of the criticism about insufficient consultation which had been levelled at the US in the past. This had led to the adoption of policies which were less successful than they might have been. This was why Secretary Haig had visited the Middle East. The Prime Minister pointed out that many people in the outlying parts of the US were not as familiar with international problems as those in Europe.

The Prime Minister said that President Brezhnev's letter to Western Heads of Government had been received just before her visit to Washington. It needed a careful and considered reply. Like us, the US would have rejoiced if it had been accompanied by a manifest sign that the Russians were ready to withdraw from Afghanistan on certain conditions. President Reagan and Secretary Haig had made it clear that they needed time to consider each point in the letter and that they would not want to negotiate until a US position had been prepared on all the issues, including SALT II and SALT III. The Prime Minister recalled that NATO countries were already pledged to try to negotiate a reduction in the number of tactical nuclear weapons. She said it would take time to set up a meeting with the Russians and that the US might attach conditions to one. Like us, they took the view that one

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could not accept as normal the presence of Soviet troops in Afghanistan. However, there would eventually have to be a meeting. Great sums were being spent on new weapons. Each generation of weapons was more sophisticated, dangerous and expensive than the previous one. But the US Administration would need time. It would also need to carry Congress with it.

On the Middle East, the Prime Minister said that the US Administration had not made up their minds on how best to carry the peace process forward. What the European countries were doing in this area was not in competition with the United States. Only the Americans could bring influence to bear on Israel, and the Middle East problem could not be settled without them. For a long time, there had been talk about the right of the Palestinian people to self-determination and about secure borders for Israel. But the detail of these ideas, including who would have the right to vote and the status of Jerusalem, had not been worked out. In the European Community's effort, the country holding the Presidency was eliciting views in the area itself. No significant move would be made until after the Israeli elections and after the Americans had made up their minds on how to move forward. But there was an acceptance that positive steps had to be taken. At first, the US Administration had thought that, because of the Iran/Iraq crisis, the Arab/Israel problem was not so urgent. But during her visit to Washington, the Prime Minister had explained that the two problems were connected; that feeling about Palestine ran high in the Gulf; and that steps must be taken to solve the Arab/Israel problem, which in turn would have positive repercussions on the Gulf.

Turning to Southern Africa, the Prime Minister said that she was pleased at how Zimbabwe had evolved, though some problems remained. She said that, at the request of the government, British military advisers were in Zimbabwe to help integrate the guerrillas into the security forces. She referred to Lord Soames' recent visit to Zimbabwe and to the successful donors conference. This increased the prospects for genuine democracy in Zimbabwe which could influence

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developments in the rest of Southern Africa in a desirable direction. The Prime Minister said she had discussed Namibia with President Reagan. She had previously talked to the South African Foreign Minister, who had given the impression that South Africa was waiting to see what stand the US would adopt before taking any further steps itself. She had tried to persuade him that there must be movement on Namibia if a difficult motion at the UN was to be avoided. However, though the South Africans had agreed to attend, the Pre-implementation talks in Geneva had not been a success. The UK was impressing on the US the need for progress on Namibia, and wanted to see a free and fair ballot in that country. However, the UK's role was not the same as in Zimbabwe. Instead of being in sole charge, five nations were involved.

The Prime Minister said that the US looked at almost every problem, be it Iran/Iraq, the Middle East, Namibia, Cuban presence in Africa, El Salvador or Libya, very much in an East/West context. This was valid in many cases. Nevertheless, she welcomed the fact that President Reagan was keen to maintain good relations with Mexico. The President had stated that he could not attend the Summit in Mexico in June, but that he might be able to if it were delayed. She stressed again the US Administration's desire to consult widely and to resolve some of the longer standing international problems in the right way. There was a wish to further the cause of democracy throughout the world, and to ensure that it was not in retreat. An open society, with all its problems, remained the best system that had ever been created. It provided the best opportunity for promoting prosperity and human dignity. The Prime Minister said that the US Administration was not, however, judging others, for example, on human rights. Unlike their predecessors, they did not take the view that foreign affairs were governed by this factor. They were much more realistic. She said that she and Lord Carrington had succeeded in influencing them on one or two issues, such as El Salvador. Mr. Rao asked to what extent the US position on El Salvador had been modified as a result of the Prime Minister's talks in Washington. The Prime Minister said that before her visit, a statement had been issued in London saying that there was evidence that the guerrillas

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were getting large quantities of arms from outside. We had condemned that. We condemned violence wherever it occurred. But we took the view that any sovereign country, be it Poland, Afghanistan or El Salvador must sort out its problems in its own way. If one accepted that view, one had to be careful about the number of advisers one sent to any country. The Prime Minister did not think that there were many US advisers in El Salvador.

At Mrs. Gandhi's request, Mr. Rao gave an account of the recent visit by three Non-Aligned Foreign Ministers and the Head of the PLO Political Department to Iran and Iraq. The Group had been asked by the Non-Aligned Foreign Ministers to try to bring about peace between the two countries. In Iran, Mr. Rao said the Group had visited areas close to the fighting. They had been to Dezful and Ahwaz, where there had been intermittent shelling. The purpose of the mission had been to listen to both sides and not to put forward concrete proposals. Mr. Rao noted that, following the failure of the Islamic Conference initiative, to get both sides to accept its proposals, the Non-Aligned Group had felt it more appropriate to try to understand the positions of both sides before making proposals. The Group had been received cordially "and with confidence". In Baghdad it had met Mr. Tariq Aziz and Mr. Izzat Ibrahim who had given them a full account of the Iraqi position. They had spoken of the incessant interference by Iran in Iraq's internal affairs, which had compelled the latter to send their troops in in sheer self-defence. The Iraqis were prepared to have a ceasefire and then negotiate on substantive aspects of the dispute, before withdrawing. The Iranian approach was exactly the opposite. However, the two positions were not as inflexible and diametrically opposed as they might appear. In informal discussion with the two sides, the Non-Aligned Group had found signs of flexibility which needed to be analysed carefully and built on. The Group would meet again in Algiers in two or three days time to compare notes. If issues were identified, on which further discussion with Iran and Iraq was necessary, there would be a second trip to Tehran and Baghdad. In answer to the Prime Minister's question, Mr. Rao said that there was ground for hope, but a solution would take time. The Prime Minister said that it would be a great achievement if peace was

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brought to the area. It would make a great difference to the world economy and might bring down oil prices. Though Mrs. Gandhi doubted whether these would come down, the Prime Minister pointed out that this had happened and there was pressure even now on the premiums. Mr. Rao said that it was something that the fighting between the two countries had not escalated. The Prime Minister spoke of apprehensions that, if peace initiatives showed no sign of success, this might happen. Mr. Rao said that the Non-Aligned Group hoped that its initiative would reduce this danger. He referred to the efforts of others, including Mr. Palme. The latter was concerned primarily with the Shatt-el-Arab, though he accepted that this issue could not be seen in isolation. He had come to no conclusion about how to resolve it. All the strands of the Iran/Iraq dispute were interdependent.

The Prime Minister said that three-quarters of the Indian correspondents she had seen in London last week had asked questions about US/Pakistan and UK/Pakistan relations. She asked for Mrs. Gandhi's views on relations with Pakistan. She had told the reporters that every nation had the right and duty to protect its own people. Mrs. Gandhi said that India fully accepted the right of Pakistan, as of any other country, to defend itself. But it should come as no surprise that Indians were agitated about the supply of arms to Pakistan. On more than one occasion, India had had to face pointless and unnecessary aggression from that country. India had taken the initiative to improve relations. Mrs. Gandhi said that, when the Bangladesh problem had broken out, she had told the West that, unless it exerted its influence on Pakistan, the situation would get out of control. India had taken no action, except for trying to prevent a massive inflow of refugees, until 11 of her cities were bombed. After the Pakistani surrender, there had been a strong feeling in the country that India should not stop but go on to consolidate her position. Without knowing what the reaction of her colleagues and the country would be, she had taken it upon herself to insist on a ceasefire. An hour after the surrender of the Pakistani forces, she had started a series of meetings with the Chiefs of Staff, the Cabinet and leaders of the Opposition. Though these had initially

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been strongly opposed to her line, within two hours she had been able to announce a unilateral ceasefire. Had she waited 24 hours, she would not have succeeded. At Indian initiative, Mr. Bhutto had visited India and the Simla agreement had been signed. Mrs. Gandhi had told him that two types of agreement were possible; one in which it was recognised that the problems of the two countries were complementary (and essentially economic), and that they should work for lasting peace; and another in which it was held that the interests of the two countries conflicted and that only a patchwork peace could be achieved. Mr. Bhutto had taken the line that Pakistan had unsuccessfully tried war and taking its case to the UN, and would now try the course of friendship. Had he taken a strong line on his return, he could have succeeded in this policy; but perhaps for understandable domestic reasons he had hesitated. Matters had become more difficult with his successors. Mrs. Gandhi said that India was anxious for friendship with Pakistan and her other neighbours. This friendship was a necessity. India was faced with huge problems and could ill afford confrontation. President Zia talked of friendship but raised issues which did not create the right atmosphere and excited Indian people. He raised Kashmir, though it had been agreed at Simla to leave it aside. During the communal disturbances last summer, which the Indian Government had deplored, the Pakistanis had reacted in an unhelpful way. India had nothing against friendship between the US and Pakistan, but was worried about the form the relationship might take. There was a feeling that it might be directed against India, though not intentionally or necessarily in the immediate future. Mrs. Gandhi recalled that President Eisenhower had told the Pakistanis that arms supplied by the US were only to be used against the Communists, but these had eventually been used against India. However, India would continue to try for friendship with Pakistan, no matter what the difficulties. Agha Shahi had been to Delhi twice over the past year and Mr. Rao would be going to Islamabad, perhaps in May.

The Prime Minister referred to the tremendous problems which Pakistan was facing. From its own experience, India would know what it was like to have to cope with a huge number of refugees. The hijacking incident had been appalling.

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/Mrs. Gandhi

Mrs. Gandhi said she had reason to believe that for the first time the people of Pakistan were genuinely interested in good relations with India. However, military dictatorships tended to be worried about the influence which a democracy might have on their own people.

In answer to Mr. Rao's question, the Prime Minister said that she had not discussed military assistance to Pakistan with the US Administration. Mr. Rao said that persistent reports of a US decision to provide arms to Pakistan on a massive scale had caused concern to India. The Prime Minister said that her discussions in the US had concentrated on NATO and bilateral defence matters. They had briefly touched on the Rapid Deployment Force, though not in the terms reported by the press. There was a need for a force which could be moved quickly to where it was needed but only if requested. The US had some capability to do this and the UK had a parachute regiment available; but these were not adequate to respond quickly to urgent requests. We were faced with a girdle of conflicts around the world and any one of these conflicts might escalate. The question of an RDF had therefore been discussed briefly in Washington and she had stated that the UK would wish to make a modest contribution to such a force.

The Prime Minister said that following Lord Carrington's trip to Pakistan, she had received a letter from President Zia asking her to use her influence in Delhi to remove the deep-seated doubts and suspicions which continued to thwart the development of relations between India and Pakistan, and to explain Pakistan's genuine need to arm itself against an external threat. President Zia hoped that she would assure Mrs. Gandhi of Pakistan's genuine desire for friendship and the fact that Pakistan had neither the wish nor the capacity for an arms race with India. Mrs. Gandhi said there would be no arms race if Pakistan did not buy sophisticated modern weapons. She observed that all the new Pakistani airfields were along the Indian, not Afghan, border. She wondered how Pakistan could be expected to help over the Afghan crisis. The Russians took the view, with or without reason, that the refugees in Pakistan were in many cases not genuine. They

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used Pakistan as a base for insurgency. Supplying arms to Pakistan would only make the Russians dig their toes in and feel that they could not cede Afghanistan to influences hostile to them. The Prime Minister said that it was possible that, with the experience of Afghanistan, Pakistan would realise that its future lay in friendship with India. Mrs. Gandhi hoped this was so and thanked the Prime Minister for passing on President Zia's message.

The Prime Minister said that she had had the impression following Lord Carrington's visit to China that the prospects of friendship between that country and India were brighter. Mrs. Gandhi replied that, once again, it was she who had taken the initiative in trying to improve relations. Though she had been ignored to begin with, diplomatic relations had been re-established between the two countries and some agreements signed. Relations were not ideal, but India was working to improve them. The Chinese Foreign Minister was due to visit Delhi in the near future, but the dates which had been proposed conflicted with a UN conference. The Prime Minister said that, in the dangerous situation existing today, great efforts must be made to achieve an understanding with other countries.

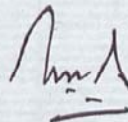
The Prime Minister said that she had heard that the Saudi Foreign Minister's visit to Delhi earlier in the week had been successful. Mr. Rao said that the latter had confirmed what the Prime Minister had said about the policy making process in the US. The Saudi Foreign Minister had reported that, during his recent visit to Riyadh, Secretary Haig had made it clear that no firm conclusions should be drawn about the attitude of the US Administration for some time to come. Mrs. Gandhi said that, while she agreed with the Prime Minister that the Reagan Administration had not made up their minds on a number of issues, she had the impression that some of their statements aggravated rather than softened the situation. Mr. Rao continued that, bilaterally, the Saudi Foreign Minister's visit had been very important. New areas of co-operation had been identified and Protocols signed. The Prime Minister said that she hoped to meet Prince Saud in Riyadh. In answer to the

/Prime

Prime Minister's question, Mrs. Gandhi said she had not visited Saudi Arabia herself, though her father had done so.

Returning to the Iran/Iraq conflict, the Prime Minister said it would be a great achievement if the Non-Aligned Group could resolve it. Mrs. Gandhi said that the prestige of the two sides was involved. Mr. Rao added that, though the Non-Aligned Group had the goodwill of both sides, there were no hard issues to get to grips with. When the Prime Minister remarked that the conflict had started over differences about the Shatt-el-Arab, Mr. Rao said that the Iranians had taken the line that there would be no difficulty over resolving substantive issues, once the Iraqis had withdrawn. Sir John Graham asked whether they had insisted on observance of the 1975 agreement. Mr. Rao conceded that the Iranians would want to use that as a basis for discussion, but they were not inflexible about it. Bani Sadr had made it clear that Iran would be flexible on substantive issues. However, Mr. Rao did not rule out the possibility that Iran's position would harden once negotiations started. He said that both sides agreed that there must be a package solution. They accepted that specific aspects of the conflict could not be taken in isolation. Mrs. Gandhi said that the various issues would have to be resolved simultaneously so that neither side would lose face. Mr. Rao explained that when the Iranians said that a ceasefire and withdrawal of troops must take place simultaneously they meant that a decision about both must be taken at the same time and that withdrawal must follow as soon as possible after a ceasefire. Mrs. Gandhi recalled that at the start of the conflict, dignitaries from both sides had visited India and urged the latter to brand their opponents as the aggressors. Mr. Rao commented that both sides could only agree to a fact-finding mission on the understanding that its purpose was to identify the aggressor. It would be better to deal with the issues and leave the allocation of responsibility on one side.

18 April 1981



SUBJECT

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of Matter
India - Pt. 2: VK/Indian relations

SUMMARY NOTE FOR THE RECORD OF A TÊTE A TÊTE DISCUSSION BETWEEN
THE PRIME MINISTER AND THE PRIME MINISTER OF INDIA, MRS. INDIRA
GANDHI, IN DELHI ON 15 APRIL 1981 AT 1500 HOURS

US/Indian Relations

The Prime Minister told Mrs. Gandhi that the world seemed to her to be an increasingly dangerous place. This being the case, it was a pity that relations between India and the United States were not closer. It was not easy to understand the difficulties which had arisen. One would have expected there to be an affinity between the world's two largest democracies. Was there anything that Britain could do to help?

Mrs. Gandhi said that in earlier days, her personal relations had been very good with more than one American President. She had got on well with both President Kennedy and President Johnson. But there came a time when India put a number of specific requests to the United States. In a year of serious drought, they had asked for wheat and been refused. The Russians had supplied it instead. Relations between the Indian Government and President Nixon had never recovered from this. Similarly the US had refused to help India establish a state steel industry. Here again the Soviet Union had been willing to assist. Finally, the Americans had refused their help during hostilities between India and Bangladesh.

Mrs. Gandhi was at pains to make it clear that she had no sympathy with Communism as such. She was experiencing acute difficulties with the Communists in a number of Indian states and was at a loss to know how to tackle them. The Soviet Union had failed to back her in the 1977 election, preferring an outcome in which she was narrowly returned to power. In the event they had miscalculated and she had been defeated. But the fact was that the Russians had helped on a number of crucial occasions. An additional factor was that they were willing to accept payment for their exports to India in Rupees.

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Afghanistan and Pakistan

There was relatively little discussion on this occasion about Afghanistan and Pakistan. On Pakistan, Mrs Gandhi had said that whatever their assurances, the fact was that the Pakistanis had been prepared to use whatever arms they had against India. On Afghanistan, Mrs Gandhi was inclined to argue that the Russians had always feared encirclement and that there had been things going on in Afghanistan, before the Soviet intervention, calculated to stimulate Soviet sensitivities about Afghanistan's future orientation.

Immigration and the Nationality Bill

The Prime Minister told Mrs Gandhi that many of the accusations made against the Nationality Bill were very unfair. She referred to the amendments to it made in response to the wishes of the Indian Government. The rights of existing UKPH to enter the United Kingdom would be unaffected. Mrs Gandhi said that she was bombarded with correspondence about UKPH. Was there anything the British Government could do to increase the numbers being taken. The Prime Minister had replied that this would be difficult at a time when there were 2½ million unemployed in the United Kingdom and in the aftermath of the Brixton riot. Britain was still taking very large numbers of immigrants from India each year. The Prime Minister asked whether it would be acceptable if UKPH were substituted for dependants. This was something which could be arranged administratively. Mrs Gandhi replied that she did not know whether this would be acceptable.

Commercial Relations

The Prime Minister said that she hoped the Indian Government would consider very seriously the British tender for the Paradip steel plant. British industry could be relied upon to do a good job. The contract would be very helpful to us in the context of the unemployment problem. Mrs Gandhi said that it was very difficult to take quick

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decisions in matters like this. If things happened too rapidly, there was always a risk of the accusation that money had changed hands.

Internal

Mrs. Gandhi said that her visit to the North East had been a great success.

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15 April 1981

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Prime Minister



The Indians have now (yesterday evening) agreed to sign a memo of understanding which says we are both working towards collaborating on the power station; but it does not include any commitment in principle to a contract. You might express the hope that agreement on a negotiated contract will be reached soon.

POWER SECTOR

In the light of developments in the last 48 hours the points to make should be revised as follows:

Points to make

1. Pleased that MOU will be signed for this sector, which reflects importance of sector to India and to the UK, history of considerable cooperation, and scope for future cooperation.
2. Reference made in MOU to considerable potential for collaboration in creation of new power generation capacity. This refers to proposals we have put forward, in response to requests by Indian Minister of Energy, for construction of a 1000 MW super thermal power station involving attractive financial package of special aid and long term credits, and technical assistance in all aspects of station design, construction and maintenance. This would entail a negotiated contract, with appropriate safeguards to ensure international competitiveness (as achieved in Hong Kong). Result would be saving of 12-18 months from normal tendering procedures, competitive price and attractive financial package.

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3. Given India's urgent need for new power generation capacity, hope these proposals will be of mutual benefit. Hope we can agree to work towards the objective of collaborating in setting up this super thermal power station, and that officials/companies can be asked to commence negotiations soon, with a view towards reaching early agreement.

Revised background

1. The recent developments on the power station package have been as follows:

(a) The GOI have agreed to an MOU on the Power Sector, after some persuasion.

(b) However, the reference in the MOU to the proposals for the new power station have been watered down, and now merely refers to "considerable potential for collaboration in new power generation capacity".

(c) The body primarily responsible for this reluctance/watering down is the Finance Ministry (the Ministry of Power are broadly in favour of our proposals). They are concerned about negotiated contracts (as opposed to competitive tendering) because of difficulties in ensuring competitiveness of the price. They imply that the financial proposals are not sufficiently

/ attractive...



attractive to make them settle for the UK at this stage, when they have received other proposals from other countries.

2. However, it is possible that the reservations of the Finance Ministry could be overcome if there was sufficient political impetus and hence we have suggested the points to make as above.

for PR's briefs
cc. Rams Alexander,
Lanckerlin, Higdon + Hanson

INDO/PAKISTAN RELATIONS

1. There has been endemic hostility between India and Pakistan since partition in August, 1947. The two countries were at war with each other in 1965 and 1971.
2. Mutual suspicion runs so deep, irrational fears are so easily aroused and public comment on each other is so frequent that it is never easy to assess at any given time how each government sees the other.
3. Pakistan is conscious that India has the power to reduce it over the years to the position of a client state. It sometimes fears that that power might even be used to dismember Pakistan. Since the invasion of Afghanistan it has tended to be even more suspicious of India's relations with the Soviet Union. In a letter of 12 February to the Prime Minister, President Zia dwelt at length on what he called the Indo/Soviet "strategic alliance" and talked of the danger of Pakistan having to fight a war on two fronts.
4. India dislikes several aspects of Pakistan's foreign policy, including its close relations with China and the Islamic countries. But it is particularly concerned at present by the American offer of a substantial economic and military aid package to Pakistan. It argues that on earlier occasions the "arming" of Pakistan has led the latter into military aggression against India. Also, that the incorporation of Pakistan in a US sponsored "strategic consensus" of countries opposed to the Soviet Union will increase tensions in the area. Indian suspicion of US policy is such that it would probably oppose any greater American involvement in the area.
- 5./

5. We very much doubt whether India has any interest in the dismemberment of, or even instability in, Pakistan. The opportunities this would present for further Soviet advances towards the borders of India are disturbing to India. India can have no interest in absorbing Pakistan, with the implications that would have for the Hindu/Moslem balance in India. And the threat of fresh communal disorders in Pakistan spreading to India would, in the light of history, be a most disturbing prospect. But if India does not envisage the extreme measures which the Pakistanis in their worst moments fear there probably is truth in the Pakistani charge that the Indians seek a certain hegemony in the area. Certainly, the smaller states of the sub-continent from Pakistan to Bangladesh, Nepal and Sri Lanka, express this belief from time to time. Indian consciousness of its weight and power in the area often leads it to behave in such a way as to fuel those fears.

6. It seems unlikely that India fears that the rearming of Pakistan will lead to aggression against India have any justification. The military disparity between the two has increased greatly, to the advantage of India, since the last war in 1971. Pakistan's forces are very much smaller and are poorly equipped and their defence purchases have been limited in recent years. Pakistani fears of Indian aggression may be no more justified. As stated above India can have little interest in absorbing Pakistan or promoting instability there. But one qualification is necessary. If India comes to believe that a Pakistani nuclear test is imminent (and Indian concern about a possible test is increasing) the option of some pre-emptive action may be considered.

7. Since the Simla agreement in 1972 both sides have been prepared/

prepared to talk about the need for rapprochement but have done little more than talk. When Pakistan turned down the first offer of US assistance after the Soviet invasion of Afghanistan the Indians seemed more ready to admit that Pakistan needed a capability to defend her Western borders. Mrs Gandhi seems to have conceded the point at her (first) meeting with President Zia at Salisbury in April 1980. But recent Indian statements cast doubt on whether this attitude is unchanged.

8. The problems of rapprochement were illustrated when the Pakistan Foreign Minister visited Delhi in July 1980. His public references to the Kashmir dispute and India's arms purchases provoked mutual recrimination in the Indian and Pakistan press. There has since been little sign of attempts to improve relations. Last year's Indo/Soviet arms deal, differences over the handling of the Afghanistan situation and now over the US approach to Pakistan have probably brought relations to a new low point. In a speech on 9 April Mrs Gandhi dwelt at some length on these developments but added that India continued to adopt a patient approach towards the normalisation of relations and that her Foreign Minister would visit Pakistan soon.

BRIEF FOR THE CALL ON THE PRIME MINISTER BY MR. R. VENKATARAMAN,
INDIAN FINANCE MINISTER

1. Glad last year's good monsoon and recent improvement in the core sectors such as coal have led to present recovery of Indian economy. Now that domestic oil production back to normal, how do you see balance of payments problem?
2. Britain's long standing economic co-operation with India has intensified in last few years. Trade higher. Transfer of technology greater. Increasing interest by British industry in the Indian market.
3. UK is particularly well placed to co-operate in core sectors of the Indian economy, e.g. coal, power, steel, where British technology first rate. Can put together highly competitive financial packages.
4. Glad to announce provision of new coal sector grant of £10 million. Glad we have been able to provide aid for Thal fertiliser plant (if approved in time).
5. Committed to free trade. Despite recession and appreciation of the pound we have resisted protectionism and maintain few barriers against Indian exports. British market offers much to Indian exporters.
6. Pleased that, despite reduced overall aid programme, bilateral aid to India reached £140 million in 1980/81, a record level and £17 million more than 1979/80. This was the biggest bilateral programme to India, and by far our largest bilateral programme.
7. Balance of programme reflects priorities of both Governments - includes projects of mutual industrial importance and projects that help India's poor. All our aid to India is in grant form.
8. (Defensive). Essential public expenditure cuts at home, plus commitments to European Community and IDA mean aid to India this year, as to virtually all countries, will have to be reduced. But India remains a priority for us, and our aid will remain

substantial. India also benefits from British contributions to multilateral organisations such as IDA and EC. Britain a strong supporter of more EC aid to India.

9. (Defensive). Appreciate India's concern that China's membership of World Bank may affect India's IDA share. Must await proposals from World Bank on implications.

10. Recognise problems faced by India and many developing countries, and want practical progress. Welcome Mexico Summit. Should be informal, and deal with limited range of issues. Those suggested - trade, food, energy, finance - a good choice.

11. As Brandt Report highlighted, mutual benefit is best basis for joint action by industrialised and developing countries to secure global economic recovery. Mutual benefit characterises Indo/British economic relations, and must continue to do so.

12. AID

The Prime Minister should mention the new coal sector grant, so we can announce it thereafter, and our grant for the Thal fertiliser project (see below) if we have approved it by then.

13. MULTILATERAL AID ISSUES

India is a large borrower from World Bank Group, both IBRD (more or less commercial terms) and IDA (concessional terms), and is concerned by the likely effect of China's joining the World Bank on India's share (traditionally 40 per cent) of IDA funds. This has prompted India recently to seek a loan for the first time from the Asian Development Bank. If the issue is raised with us we should express sympathy, say we await proposals from the two Banks, but should give no undertaking on how we should respond.

India will also be concerned that the effectiveness of the 6th IDA replenishment is delayed by the US Congress, and will appreciate the special measures taken by Britain and others to tide IDA over.

India's relations with the World Bank were strained recently when the Bank withdrew a large loan from the Thal fertiliser project
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because they were dissatisfied with the selection of the consultants in which Mrs. Gandhi is thought to have had an interest). But the recent farewell visit by Mr. McNamara, President of the World Bank, seems to have put things back on course. Our grant for Thal (which we hope to announce before the Prime Minister's visit) should please the Indians, including Mrs. Gandhi personally.

India is the largest recipient of EC aid among the non-associated countries - receiving about \$96 million a year, partly for projects, partly for food aid. We have long supported India's case for more EC aid.



PROGRAMME BRIEFS

Wednesday, 15 April

1. Union Territory of Delhi
2. Rashtrapati Bhavan
3. Gandhi Samadhi/Mahatma Gandhi
(Raj Ghat)

Thursday, 16 April


4. Indian Parliament/Political Parties

Friday, 17 April

5. Faridabad/Haryana
6. Escorts JCB Ltd, Faridabad
7. Maharashtra State/Bombay
8. Bharatiya Vidya Bhavan/Institute for
Master of Management Studies

Saturday, 18 April

9. Elephanta
10. Bhabha Atomic Research Centre (BARC)
11. Bombay Chamber of Commerce



UNION TERRITORY OF DELHI:

Lieutenant-Governor: Mr S. L. Khurana.

Population: 6.2 million (1981 estimate)

Religious communities: Hindus 83.82%, Muslims 6.47%, Sikhs 7.16%

Languages: Hindi, Urdu, Punjabi.

Delhi, situated at the strategic entrance to the fertile Indo-Gangetic plain, by tradition traces its history back to the city of Indraprastha (1450-1000 BC). Since that time, Delhi has for long periods been an important seat of power, and has witnessed the passing of numerous dynasties and empires. In the area now known as Delhi, up to 15 cities have been built, not layer upon layer, but contiguously.

What is now Old Delhi is the seventh of the eight more important cities and was founded in the 17th century by the Moghul Emperor, Shah Jehan (who also built the Taj Mahal).

The British established Calcutta as the capital of India, but in 1911 King George V, on the occasion of the Coronation Durbar, announced that Delhi would once again become the capital of India and that a new city would be built. Work was begun immediately but progress was suspended during the First World War, and the new city was not formally inaugurated until 1931. The general plan of the city spreads from a line of origin which ties Raisina Hill, on which the Viceregal Palace (now Rashtrapati Bhavan) and other Government buildings were built, to the Jama Masjid in Old Delhi.

At 60° to this line lies the great processional avenue, Raj Path (originally called Kingsway), which is flanked by ornamental tanks and many more recent Government buildings. At one end of Raj Path is the All India War Memorial, known as India Gate, a 42-metre high arch designed by Sir Edwin Lutyens. The foundation

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stone was laid in 1921, and it was dedicated in 1931. It commemorates the 70,000 Indian soldiers who died in the First World War.

Delhi today is a thriving, expanding city, which has welcomed migrants from all over India but particularly a large Punjabi population which thronged to the city after partition. It has relatively little industry, though the recent expansion of the town has attracted a number of consumer goods manufacturers. Most of the industries serving Delhi are, however, located in the satellite towns of Ghaziabad, which is over the Jamuna River in Uttar Pradesh, and Faridabad, south of the city in Haryana.

The main "industry" of Delhi is government. Related to this, it is a substantial publishing centre - seven English daily newspapers, three Hindi ones, and two Urdu. A very large number of journals and magazines are published in Delhi, as also it is the headquarters of a number of India's main book publishers. Other services appropriate to a capital city, such as India's second largest airport, are also substantial employers.

Old Delhi is an important distribution centre, and contains a wide range of cottage industries such as, for example, silver-work.

Delhi has a per capita income twice the all-India average, but nevertheless most of India's wealthy people live not in Delhi but in Bombay, which is the headquarters of many industries, most banks and much of the film industry.


DELHI: RASHTRAPATI BHAVAN

Originally known as Viceroy's House, Rashtrapati Bhavan is now the official residence of the President of India. Designed by Sir Edwin Lutyens, it was completed and occupied in 1929, the first Viceregal occupant being Lord Irwin. It cost approximately £1 $\frac{1}{4}$ million to build, an eighth of the estimated cost of building the whole of New Delhi. The last Viceregal occupant was Lord Mountbatten.

Rashtrapati Bhavan consists of a central block surmounted by a dome 177 ft above the road. Around the central block are four wings. The main entrance is from the East, up thirty-two steps which lead to a portico of 12 pillars each nearly 30 ft high. From the portico, the vestibule, lined with marble, leads to the domed Durbar Hall. The Hall is in the form of a circular marble court 75 ft in diameter. The dome is supported by groups of yellow marble pillars. The polished floor reflects the white marble walls, and also includes panels of Italian rosso porfirico framed in white. Around the Durbar Hall are the State Rooms including a wood-panelled dining room, and the library, which has a floor consisting of grey, white and yellow marble inlaid in patterns of interlacing circles.

On either side of the Durbar Hall marble staircases lead to the private apartments on the first floor. There are 54 bedrooms in all.

To the west of the palace is a raised garden, popularly known as the Moghul gardens, behind which is a park containing staff houses and quarters. To the east, between the palace and the twin north and south government secretariat blocks, lies the Great Court about $\frac{1}{4}$ mile long and 200 yards wide. In the centre of the court stands the Jaipur Commemorative Column, a gift of the Maharajah of Jaipur.




GANDHI SAMADHI/MAHATMA GANDHI

The Gandhi Samadhi (Gandhi Memorial) is at Raj Ghat, by the Jamuna River, and is the site where Mahatma Gandhi was cremated on 31 January 1948. Gandhi had been shot the previous day by a Hindu fanatic while walking to his customary prayer meeting in the house of the Birla family where he was staying. The Gandhi Samadhi is now a place of pilgrimage, visited by foreign dignitaries and Indians alike. A stone footpath, flanked by lawns, leads to the shrine. In the centre of a walled enclosure is a low square platform of black marble with Gandhi's last words Hey Ram (O, God) engraved upon it.

Mohandas Karamchand Gandhi, known as the Mahatma (great soul) or Bapu (father) was born on 2 October 1869 in the princely state of Porbandar on the coast of Gujarat (Western India). Gandhi's father and grandfather acted as dewan (equivalent to Chief Minister) to the ruling family of Porbandar. The Gandhi family belonged to a sub-caste of the Vaisya caste, the traders who come third in the Hindu caste hierarchy after Brahmins (priests) and Kshatriyas (warriors and nobles).

In 1881 when he was 12, Gandhi married Kasturba, the daughter of a local merchant. Although they lived apart (in traditional Indian style) for the first years of their marriage their first child, a son, was born before Gandhi decided to go to England in 1888 to study law at the Inner Temple. He passed his Bar examinations in December 1890 and returned to India the following June. Two more sons were born before Gandhi decided to accept the offer of a job in South Africa as a lawyer in the service of a Gujarati merchant resident there. Soon after arriving in South Africa Gandhi was forcefully removed from a train from Durban to Pretoria because a white passenger objected to his travelling in the first-class compartment. This famous incident was regarded by Gandhi as one of the turning points of his life. He stayed in South Africa, with brief interludes in India, until 1914 earning a reputation as an activist fighting for the rights of Asians. He returned to India in 1915.




After the end of the First World War Gandhi embarked on a political career as a leader of the emerging Indian nationalism. From 1919 until his death in 1948 much of Gandhi's life was intertwined with India's struggle for Independence. He founded the Non-Cooperation Movement in 1920. He was arrested in 1922 but only served just under two years of a six year sentence. He then stayed out of politics until 1928 when the Congress turned to him to help them to decide whether to press the British for dominion status, or all out independence. He decided to lead a civil disobedience campaign against the salt laws. In March/April 1930 Gandhi led the famous salt march from Ahmedabad (Gujarat) to Dandi, 200 miles away on the coast, where, after making some salt, he was arrested. This sparked off thousands of others around the country to make salt and court arrest.

In 1931 Gandhi went to England, for the Round Table Conference, where he tried to persuade the National Government to give India independence. He returned to India in 1931 and for the next seven years had little to do with politics.

Gandhi returned to the Congress movement in 1938 to settle a dispute between Nehru and Subhas Chandra Bose, in which he favoured Nehru. When the Second World War began Gandhi advised the Congress party to make a last bid to win independence by non-violent means.

After the end of the war, Gandhi's influence on the Congress Party waned, its leading spokesmen being Nehru, Maulana Azad and Patel. As Independence approached, Gandhi devoted all his efforts to trying to restore communal harmony and to trying to prevent the Hindu-Muslim riots which in the end broke out over large areas of Northern India.

On 30 January 1948, as Gandhi was walking to his daily prayer meeting in the gardens of Birla House in Delhi where he was staying, Nathuram Godse, a 37-year old Brahmin fanatic shot him because he believed that Gandhi's religious tolerance had led the Hindus to lose the battle for Hindu India by ceding Pakistan to the Muslims.



INDIAN PARLIAMENT/POLITICAL PARTIES

The Indian Parliament functions in a similar manner to Westminster and consists of two houses, the Lok Sabha (House of the People) and the Rajya Sabha (Council of the States). The Lok Sabha has 542 Members of Parliament elected by universal adult suffrage for five years by a first-past-the-post ballot from constituencies in every State and Union territory. In addition the President nominates two Anglo-Indian MPs. The Rajya Sabha consists of 232 MPs indirectly elected on a proportional representation basis by the State legislatures and Councils of the Union Territories. It also has 12 MPs nominated by the President on the basis of their "special knowledge". Rajya Sabha MPs hold office for six years, one-third retiring every two years. The Vice-President of India is ex officio Chairman of the Rajya Sabha.

The powers of the two houses are similar (both can call Ministers to answer questions or speak in debates whether the Minister is a member of that house or not) but money bills can only be introduced in the Lok Sabha. Any amendments to legislation suggested by the Rajya Sabha must be approved by the Lok Sabha. The machinery for resolving any deadlock between the two houses is a joint sitting, in which the Rajya Sabha members constitute less than one-third of the whole.

The present party positions are as follows (March 1981):

/Lok

Lok Sabha:

Congress (I)	348
Lok Dal	35
CPM	35
DMK	16
BJP	14
Congress U	12
Janata	12
CPI	12
Others (including Speaker, 2 deputies and 21 vacancies)	60

Rajya Sabha:

Congress (I)	119
Janata	17
BJP	14
Lok Dal	13
Congress U	21
CPI	7
CPM	9
Others (including nominated and vacancies)	44

The parliament building, originally known as the Council Chamber, is an inspiring circular structure with a diameter of 114 metres. It was designed by Sir Herbert Baker (who worked with Sir Edwin Lutyens in designing most of the early important buildings of New Delhi). The foundation stone was laid by the Duke of Connaught in February 1921 and it took five years to build.

POLITICAL PARTIES

The Janata party that ruled India 1977-1980 has split into different groups: The largest is the Lok Dal party although it is itself split into two wings, one led by former Prime Minister Charan Singh the other by Raj Narain. The Bharatiya Janata Party (BJP) is led by the able former foreign minister, Mr A B Vajpayee. It has links with the Hindu fundamentalist organisation Jana Sangh. The small Janata rump is led by Chandra Shekhar one of the ablest of younger Indian MPs.

There are two Indian Communist parties: The Communist Party of India (CPI) and the Communist Party (Marxist). The latter is the senior partner in State Governments in West Bengal, Kerala and Tripura. It supports improved Indian/Chinese relations but has in recent years moved closer to the pro Soviet CPI party from which it originally split:

FARIDABAD/HARYANA

Faridabad is about 14 miles South of Delhi just into the state of Haryana on the main road to Agra. After the partition of India a new township was established by the Government of India at Faridabad mainly to rehabilitate refugees from the North West Frontier Province. In 1951 an Industrial Estate was established to provide employment for the new settlers. A number of advantages, but chiefly its proximity to Delhi, soon enabled this small industrial estate to develop into one of the largest industrial areas of Northern India. It now has over 2000 factories, small, medium and large providing employment for about 20,000 people.

The products manufactured include tractors, motor cycles, automobile components including tyres and tubes, electronic components, process instruments, shoes, refrigerators and airconditioning equipment, textiles, chemicals and crockery. The Faridabad industrial complex now encompasses the towns of Badarpur and Ballabgarh.

There are about 20 British connected companies in this area. These include:

- a) Escorts Tractors Ltd
- b) Escorts JCB Ltd
- c) Usha Telehoist Ltd
- d) Talbros Automotive Industries Ltd
- e) Poritts & Spencer Ltd

The state of Haryana, population estimate 12.8m (1981), was established as a separate state in 1966 following the division of the old state, Punjab, into three states on linguistic lines (Punjab, Himachal Pradesh and Haryana). Three-quarters of the population of the state are engaged in agriculture and, because of a successful agricultural policy, the state is in surplus in foodgrains, particularly wheat and rice. The state capital of Haryana is Chandigarh, much of which was designed by Le Corbusier. The Governor of Haryana is Mr G D Tapase and the Chief Minister Mr Bhajan Lal (Congress (I)).



ESCORTS JCB LIMITED

The company is a subsidiary of Escorts Ltd one of the largest and fastest growing private sector companies in India. Escorts Ltd was established in Lahore in 1944 but moved to India at the time of partition and became a public limited company in 1957. It is one of the leading manufacturers of tractors (there is a very successful collaboration with Ford UK) and also produces motorcycles, industrial equipment and automotive components.

Escorts JCB Ltd is a collaboration with J C Bamford Excavators Ltd of the UK. It is the first time that J C Bamford has entered into a collaboration overseas. The company was incorporated on 1 February 1979 with a paid up capital of £430,000 divided 60/40 between Escorts and JCB. The first excavator loader was produced in August last year with a 50:50 imported and local component ratio; it is intended progressively to indigenise the components. The company hopes to produce between 80-100 machines in the first year and by the end of the 5th year it is planned that the company will be producing 500 machines.

The Chairman of Escorts JCB Ltd is Mr H P Nanda. He is the driving force behind Escorts but is ably assisted by his son, Rajan Nana, who is Vice Chairman. Mr Iain McDonald, the Product Engineering Manager is on a two year secondment to the company from J C Bamford. He is married with one child.

MAHARASHTRA/BOMBAY:

Capital: Bombay

Governor: Air Chief Marshal O P Mehra (Rtd)

Chief Minister: Mr A R Antulay (Congress I)

Population: 62½m (1981 estimate)

Religious Communities: Hindus 82% Muslims 8.5% Buddhists 6.5%

Language: Marathi

Maharashtra became a separate state in 1960 when the former Bombay province was split into Gujarat and Maharashtra on a linguistic basis. It is a well-administered state and has been ruled by the Congress Party since 1960 apart from a break in 1978 when a faction of Congress under Mr Sharad Pawar formed a coalition with a number of other parties and took over power. It now has a Congress (I) Government under Mr A R Antulay, the State's first Muslim Chief Minister.

About 70% of the population depend on agriculture. Despite certain geophysical disadvantages (large parts of Maharashtra are hilly - the Western Ghats) Maharashtra agriculture has become relatively prosperous, thanks in particular to irrigation schemes, both large and small. The principal food crops are wheat, rice, maize and pulses, while the major cash crops are cotton, sugarcane, groundnut and tobacco.

The State's natural resources - sizeable deposits of iron ore, coal, manganese ore, bauxite and limestone - have helped local industries as well as exports. At the present time, offshore oil and gas resources are making a great contribution not only to Maharashtra's prosperity and importance but to the Indian economy as a whole. At Tarapur, close to the border of Gujarat is one of India's atomic power stations. Fuel for Tarapur has been a major

irritant in relations between India and the United States ,

Nearer Bombay, at Trombay is the Bhabha Atomic Research Centre (see separate brief), started with Canadian help.

Maharashtra has a high urban concentration around the industrial centres of Bombay and Poona, the most important in India. The major industries are textiles, vegetable products, chemicals, pharmaceuticals, engineering goods and electronics. The film industry is also a major employer. Maharashtra is India's major sugar-producing state and the "Sugar Barons" of Western Maharashtra, who control the sugar cooperative factories, wield considerable political influence in the state. The Eastern part of Maharashtra, Vidarbha, is much less industrialised. Indeed, the area has so little in common with Western Maharashtra that there is quite an active campaign for a separate state.

In Bombay itself (estimated population, 1981, 8.2 million) there are some immensely wealthy industrialists, including Parsis (eg. the Tata family), Gujaratis and Marwaris (from Rajasthan). There are very few large landowners in the rural areas: most landholdings are small, partly as a result of the legal enforcement of ceilings on the size of holdings. The urban industrial workers generally live in very crowded slums, unless they are fortunate enough to be employed by the firms outside the city proper where housing is provided. The large Godrej and Tata concerns provide excellent housing and other amenities, as do the large State-owned Corporations. The prominent urban middle classes live in the new high-rise buildings in the city of Bombay and suburbs and exercise a strong economic and social influence. There tend to be marked social groups based on culture and language the Parsis, Gujaratis, Maharashtrians, Goan Christians, Bengalis and so on. The Parsis and Christians are the most Westernised. These features are less apparent outside Bombay, even in Poona and Nasik, both large industrial centres. In the smaller towns and villages, society is still very parochial.



Maharashtra has a strong militant tradition. The Maratha leader Sivaji (1627-80) is a great Hindu hero and was responsible for beginning to roll back the Moghul empire which fell into irrevocable decline after the death of Aurangzeb in 1707. The 18th century was one long series of wars, both internecine and against the British (the Maratha wars). In the 19th century, Poona was one of the centres of intellectual revolt against British rule - symbolised by B G Tilak and his Journal "Kesari". It was at this time that Poona became an important British Cantonment. The Duke of Wellington proposed the road through the Western Ghats linking Bombay and Poona. The Indian National Congress was first formed in Bombay in 1883 and during the subsequent Independence Movement Mahatma Gandhi and other prominent members of Congress carried on their political activities in this region. This was a period of great advances in education and to this day Maharashtra has a higher than average literacy rate and its womenfolk are traditionally independent minded and comparatively "liberated".

Interesting archaeological sites in Maharashtra include the famous caves of Ajanta and Ellora near Aurangabad. The Ajanta Caves are places of worship, carved out of an amphitheatre formed by a high gorge. The paintings in the caves dating from Buddhist times (about 200 BC to 650 AD) were rediscovered in 1819 by a British officer. At Ellora are the wonderful temples cut downwards into the rock, the earliest of these dating from about 350 AD. The Elephanta cave temples across the harbour from Bombay date from between 450 and 750 AD. (see separate brief)




BOMBAY

Bombay, now the capital of Maharashtra, was given by the Portuguese to Charles II as part of the dowry of Catherine of Braganza whom he married in 1661, but the actual transfer did not take place until 1665. Bombay was then a group of seven islands and in 1668 these were handed over by the King to the East India Company, at an annual rent of £10 in gold. This was paid until 1730. One of the terms of transfer was that the English should support the Portuguese in India against the Dutch. The Dutch were gradually driven out, but the Portuguese resented the growth of English settlements and carried on sporadic wars up and down the West Coast. The original English trading "factory" was at Surat, now in Gujarat, but the wars made it unsafe and in 1687 the Presidency was transferred to Bombay, followed in 1708 by the establishment there of the main trading centre of the East India Company.

The real founder of Bombay city was Gerald Aungier, appointed President by the East India Company in 1669. He persuaded the Parsi community to move to Bombay from further up the coast in 1670 and Gujarati traders soon joined them. These two communities have made major contributions to the prosperity and wealth of Bombay since that time.

After the treaty of 1783 with the Portuguese, Bombay settled down to rapid development, although still troubled by attacks from the Marathas and from the famous pirate Kanhoji Angrey. Forts built along the coast during these periods can still be seen along the Western shores from Surat to Goa.

Bombay's development as a commercial centre has been matched by a process of radical geophysical change: the seven islands of Bombay were gradually joined together through drainage and land reclamation. It gradually lost the description, given to it by 17th century foreign travellers, of "a charnel-house" where "two monsoons are the life of a man".



In the 18th century Bombay became an important city and its harbour a naval base and a busy port. Lord Nelson is said to have visited Bombay in 1775 when a midshipman on the "SEAHORSE", then serving in the Persian Gulf. There is a small dry dock in the present Mazagon Dock (the main Indian naval dockyard) where the "SEAHORSE" is said to have been refitted. In 1892 Bombay became the headquarters of the Royal Indian Marine, and of the Royal Indian Navy in 1934.

Many buildings in Bombay are of historical interest. What little remains of Bombay Castle (now an arsenal) and Fort St George which guarded the harbour, are a focal point in the old town. The Government Dockyard and warehouses were built in 1736. King Edward VII as Prince of Wales, landed here in 1875, by which time it had been considerably extended. Beyond the docks there was an old ice-house where ice from Massachusetts used to be stored. Nearby is a finely decorated building which was the Royal Alfred Sailors Home, now a part of the Government's Council Chamber. Opposite this building a fountain was erected to commemorate the visit of the Duke of Wellington to Bombay in 1804. In Colaba, the southern-most part of Bombay, is St John's Church, popularly known as the "Afghan Church", built to commemorate the First Afghan War, and consecrated in 1858. On Colaba Point are the old lighthouse of 1771 and an old European cemetery. There are also the imposing offices of the Port Trust, the University (1874), the High Court (1879), the Prince of Wales Museum (1905) and the Gateway of India (1924).

Bombay is now the undisputed commercial capital of India, many older firms having moved their headquarters from Calcutta. More than 30 percent of foreign investment in India is centred in Bombay and its hinterland. Bombay contributes 32 percent of India's income tax and 50 percent of all excise duties. It is also the centre of banking in India.



Bombay's main industry - textiles - has had difficulties in recent years, but other industries such as chemicals, pharmaceuticals, heavy engineering and electronics have achieved rapid growth. Labour problems, however, have caused a certain amount of disruption.

Bombay's population is now close to 8 million and the suburbs have spread some 20 miles to the North. In the city proper there has been a rash of high-rise buildings, presenting a sharp contrast between the areas in which the affluent live and the slums which are the homes of half the city's population. Its transport problems are becoming increasingly difficult.

The name "Bombay" was generally considered to have been derived from the Portuguese "Bonn Bahia" (Fair Bay), but the local name "Mumbai" seems to indicate that it came from the Goddess Mumba, patroness of the fisherfolk, one of the many forms of Parvati, consort of Siva. There has recently been a move to re-name Bombay as Mumbai, but the suggestion has not gathered much support.



THE BHARATIYA VIDYA BHAVAN

Founded in 1938 by Mr K M Munshi, the Bharatiya Vidya Bhavan has developed into a vast organisation with 27 centres spread all over India, a centre in London established in 1972 and another one coming up shortly in New York.

The main purpose of the institution is to preserve and propagate Indian philosophy, history, culture, art and the Sanskrit language as well as to promote scientific studies. It endeavours to achieve this through its numerous cultural and educational institutions, publications and journals in different languages including English, and other programmes. One of its prestigious publications is an 11-volume series on the History and Culture of the Indian People.

In the education field the Bhavan's institutions range from the primary school to post-graduate study level. Its institutions teach a variety of subjects such as engineering, farming techniques, mass communications, management, printing, foreign languages, astrology, horticulture, Yoga, Indian music, Indian dancing etc.

The new Institute for Master of Management Studies is intended to provide post-graduate degree courses in management. The Institute will be housed on the Andheri Campus of the Bhavan where 5½ acres of land have been allotted to it. The total cost will be 15 million rupees (approx £800,000). The first series of courses are scheduled to begin in June 1981.

Until the Bhavan secures authority from the Government of India to grant degrees in its own right, the Institute of Management will be affiliated to the University of Bombay. The Institute, which will have foreign and Indian students will open centres for research in various functions of management and also consultancy for industry and business.



ELEPHANTA

Elephanta (called Gharapuri by Indians), a small island about six miles east of the main island of Bombay, is famous for its caves, which date from 450 - 750 ad. There was an ancient city on the island, not far from which was a mass of rock shaped into an elephant from which the European name comes. In September 1814 the head and neck dropped off and in 1864 the remainder was removed and re-erected in 1912 in Victoria Gardens, Bombay.

The caves are approached by steps and are about 250 ft above sea level. Although there are seven caves in all, the one to which visitors go is the Great Cave which once served as a temple to the Hindu god Shiva, and which has huge sculptures and relief panels. On either side of the steps which lead into the main hall of the cave there are sculptures of lions. The hall itself was originally supported by twenty-six columns, however eight of these have fallen down through seepage of water.

The hall is oriented east to west, and at the western end is the Lingam shrine. The lingam, a 3 ft high cylindrical stone is the emblem of Shiva and worshipped by his devotees. Throughout the cave there are numerous reliefs depicting various episodes from the myths of Shiva.



Private Secretary

AFLOTOXIN

1. The Prime Minister asked for a note on this substance.
2. Aflatoxin is the derivative of a fungus which grows on ground nuts when they are not properly stored. As well as being the most powerful known carcinogen it is also a toxin in its own right and can be fatal both to livestock and to humans. It is especially dangerous when it gets into poultry feed and ducks in particular are hypersensitive to it.

A handwritten signature in dark ink, appearing to read 'M K Ewans', written in a cursive style.

M K Ewans

15 April 1981

THE GENERAL ELECTRIC COMPANY LIMITED

1 Stanhope Gate · London W1A 1EH

TELEX 22451 · Cables: Polyphase London W.1 · Telephone: 01-493 8484

PRIVATE & CONFIDENTIAL:

14th April, 1981

T.P. Lankester Esq.,
Private Secretary to Prime Minister,
No.10 Downing Street,
London, S.W.1.

Dear Tim,

STEEL MILL: INDIA

I attach our correspondence on this subject with Sir Kenneth Clucas and other Permanent Secretaries. You will note that Sir Kenneth Bond's latest epistle has, for obvious reasons, not yet been the subject of a reply, so the correspondence is far from closed! I understand that Taylor Woodrow and Vickers have sent similar letters supporting their case.

The main theme of the correspondence is that the case for HMG giving exclusive support to the Davy-McKee bid as a UK national bid in opposition to Mannesmann-Demag is hardly clear cut. Indeed some would argue that the UK content of Mannesmann's bid is rather better in some ways than that of the Davy bid.

However, my purpose in sending this correspondence to you is to suggest that it might well be wise to maintain a reasonably open minded attitude about these competing bids and, if the Indians begin to show some preference for Mannesmann, for HMG to be flexible in supporting the substantial British content of that bid.

Have a good try. Yours sincerely,



John Lippitt

THE GENERAL ELECTRIC COMPANY LIMITED

1 STANHOPE GATE · LONDON W1A 1BH

01-493 8464

13th April, 1981

Sir Kenneth Clucas, KCB
Permanent Secretary,
Department of Trade,
1 Victoria Street,
London, SW1H 0ET.

Dear Sir Kenneth,

INDIAN STEEL PROJECT

Thank you for your letter of 10th April.

Whilst I accept that the Prime Minister has been fully briefed on the content of my letter of 1st April, I cannot pretend to understand why HMG has taken such an inflexible attitude in its exclusive support of the Davy McKee bid with aid. We believe the value of the UK work content of both the Davy McKee and Mannesmann Demag bids is almost the same (just under £300m.). Moreover, the Davy McKee UK content covers only the standard design of raw material handling plant and mechanical parts for the blast furnace, with the high technology parts being manufactured overseas. These are:-

Siemag Schloemann, Germany	All Rolling Mills
Krupp Koppers, Germany	Coking Plant with an alternative offer from France
GHH, Germany	Steel Melting
Alstom, France	All Electrical Equipment
CEC, France	Sinterplant.

On the other hand, the Mannesmann Demag UK content includes high technology electrics (GEC), civil design (TW) and workshop and laboratory equipment (Vickers). It follows that the Davy McKee bid leaves to the foreigners the elements most attractive for UK industry.

/.....

There are also advantages to the UK to be gained from Mannesmann Demag in terms of future export orders and technological advance in electrical and civil design. GEC, by its own efforts, has secured a position with Mannesmann Demag where, in competition with Siemens, all the electrics would come to the UK, despite Mannesmann Demag facing strong and continual pressure from the German authorities to favour their own home supplier. All this is in the future, but it should not be detrimental to Davy McKee with whom GEC has, and wishes to maintain, a close association.

Your reference to the possible inclusion of GEC in the Davy McKee package, if their bid is successful, does not allay our misgivings. We have confirmed today with ECGD that the present financing limits for this project, and for India overall, could not possibly accommodate the GEC content for the electrics as well as the present Davy McKee content, and it would be for decision by HMG to increase the ceiling to accommodate this proposal. In addition, the present contractual obligations as between GEC and Mannesmann Demag, not to mention presumably Davy McKee and Alstom, could not easily be overturned to make this a feasible proposition.

GEC believes that the Prime Minister, in her discussions in India, will wish to adopt a pragmatic view on the relative benefits to the UK of both the British and German bids. After all, there is always the possibility that if the Indian Government were to prefer the Mannesmann Demag bid on price and technology, and if the proposal were backed by an appropriately co-operative attitude by the Prime Minister and her officials, the UK might secure this business without having to advance as much of the aid as has been promised in support of the Davy McKee bid. However, this is a bridge which can only be crossed when it is reached, and I merely mention the point to illustrate the need for flexibility on the part of HMG at all stages of these negotiations.

Yours sincerely,


K. R. Bond

cc: Sir Michael Palliser
Sir Peter Carey



From the Permanent Secretary
Sir Kenneth Clucas, K.C.B.

DEPARTMENT OF TRADE
1 VICTORIA STREET
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01 215 3785
SWITCHBOARD 01 215 7877

10 April 1981

R 13 APR 1981

K R Bond Esq
Deputy Managing Director
The General Electric Company Limited
1 Stanhope Gate
LONDON W1A 1EH

Dear Mr Bond,

Thank you for your letter of 1 April concerning the GEC involvement in the Mannesmann Demag bid for the Indian Coastal Steel Plant. The facts you have given on the GEC involvement have been taken into account in the briefing for the Prime Minister. However, as I think you know, the Government's position on the Coastal Steel Plant has been unequivocal for some considerable time. The exclusive linkage of the aid to the UK led package has been made clear to the Government of India on a number of occasions, and indeed I stressed the same point when I was there ten days ago.

The reasons for this exclusive linkage are well known, and do not need rehearsing. However it has always been a matter of regret that the limitations of ECGD cover meant that the UK content could not be increased to accommodate GEC electrics in the UK led package. However, in the event that Davy win the contract, I am sure they will do their best to bring GEC into the eventual package.

I am sending a copy of this letter to Sir Michael Palliser and Sir Peter Carey.

Yours sincerely,

KENNETH CLUCAS

1st April, 1931

Sir Kenneth Clucas, KCB
Permanent Secretary,
Department of Trade,
1, Victoria Street,
London, SW1H 0ET.

Dear Sir Kenneth,

With regard to the forthcoming visit to India, the Prime Minister and her officials will no doubt wish to be aware of the respective interests of UK manufacturers in the large project to construct and equip a new Steel Works at Paradip, Orissa. There appear to be only two main contractors for this contract, Davy McKee and Mannesmann Demag.

Although Davy McKee is a British firm, and Mannesmann Demag is West German, the fact is that both bids contain a substantial amount of work for UK industry, and both bids involve substantial foreign participation. The Department of Industry has full knowledge of the composition of the Davy McKee offer, which nominates a French company to provide the electrics. The information provided in this letter concerning the UK content of the Mannesmann Demag bid is commercially confidential.

In its submission to India, the West German company gave details of sub-contractors and principal suppliers from whom it had received tenders. This submission is attached as Appendix I to this letter,

if the Indian Government wish to award them /

which shows that GEC, Vickers (VC) and Taylor Woodrow (TW), all UK companies, feature prominently. As GEC made the best technical and commercial offer for the electrical equipment, GEC has been nominated by Mannesmann Demag as sole supplier for such equipment for Paradip. In addition, GEC of India Limited, one of the largest electrical companies in India employing about 10,000 people, has been nominated by Mannesmann Demag to undertake erection of the electrical equipment.

UK industry's participation through Mannesmann Demag amounts to just under £300m. out of a total project price of about £1,050m. But this comprises mostly high technology equipment, of which £125m. would be for GEC. The UK content of manufacture is actually higher than the West German share (about £220m.) and is more than for any other country included in the bid.

These figures are only for Stage I of the project; for GEC, this represents about 2,500 man years of employment. But if Stage II is included, this figure rises to just under 5,000 man years of employment. The work would be mainly for factories in the Midlands. Additional orders would accrue to Vickers and Taylor Woodrow, and no doubt these companies would be pleased to give you details of the work which they have already been nominated to undertake.

The Davy McKee sponsored bid is being exclusively supported by £150m. of UK aid. However, as the Indians are aware of the large UK content of the Mannesmann Demag offer, they are quite likely to ask the Prime Minister about HMG's attitude to supporting the UK content of the Mannesmann Demag bid with UK aid if the Indian Government wish to award them the contract.

/

In case this question is raised, and in view of the substantial business which would flow to GEC factories, I wish to draw to the Prime Minister's attention the benefits accruing to the UK from a successful Mannesmann Demag bid even if that of Davy McKee is not successful. We feel it is reasonable to expect HMG's attitude with respect to aid in this matter to recognise that fact.

I am sending a copy of this letter to Sir Michael Palliser at the Foreign and Commonwealth Office, and to Sir Peter Carey at the Department of Industry.

Yours sincerely,

K.R. BOND

c.c.
Mr. C.P. Jansen
Mr. J.N. Scott
Mr. A.J. Lippitt



Mr Alexander }
 Mr Lankester } separate copies

SUPPLEMENTARY BRIEFING

1. I attach copies of background briefs on Indian citizenship legislation, Jinnah House and on the Pragati Maidan Trade Fair Complex*which it seems prudent to classify.
2. I also attach a short brief on the proposed invitation to three or four young Congress I members to visit the United Kingdom as guests of HMG, which it was agreed in London would not be included in the main briefing.
3. For ease of reference I attach also the suggested form of words for the Prime Minister to use when signing the Visitors Book at the Raj Ghat (serial 5 in the annotated programme) and the text of the Prime Minister's short speech at Bannauli (serial 40 in the annotated programme). The last sentence of the speech remains to be completed when the Indians finally let us know what they want (it will not necessarily be a gift to the school).
4. Finally, I understand that gifts are being brought for the President, Mrs Gandhi and the Governor of Maharashtra. I attach a revised list of Indian recipients of photographs which takes into account changes in the Prime Minister's programme since the earlier list was compiled. We have been advised by Protocol that gifts and photographs for the President and members of his household should be given to the Deputy Military Secretary; those for the Governor of Bombay and his household to his Military Secretary; and all the others, including the gift for Mrs Gandhi, to MEA Protocol. However, the Prime Minister may prefer to disregard this advice and hand the gift for Mrs Gandhi to her personally. Gifts from the Indian side for the Prime Minister and her party will be given to either this High Commission or to one of her Private Secretaries.

14 April 1981

C A K Cullimore
 C A K Cullimore

* There is a separate unclassified brief on the Pragati Maidan in the folders for the party.



BACKGROUND BRIEF

SUMMARY OF INDIAN CITIZENSHIP LEGISLATION

1. The basic provisions governing Indian citizenship are contained in the Citizenship Act 1955 and in Clauses 5-11 of the Constitution which was enacted on 26 January 1950. The following is a summary of the main provisions and in particular of their effect on Citizens of the United Kingdom and Colonies (CUKCs).

- (a) Children born in India after enactment of the Constitution are automatically Indian citizens at birth irrespective of the nationality of their parents. However, as Indian legislation does not allow for dual nationality, this citizenship is forfeited if the person subsequently acquires the citizenship of another country.
- (b) The position of persons born before enactment of the Constitution is that, to be deemed citizens, they must have had their domicile in India at enactment and (i) have been born in India or (ii) had at least one parent born in India or (iii) have been resident in India for not less than five years immediately before enactment. In short any one of these three stipulations on its own is not sufficient unless the person concerned was domiciled in

/India



India at the time of enactment. The only definition of domicile we can find is that it "involves an intention to reside permanently".

Citizenship by registration

- (c) The requirements regarding citizenship by registration are complicated. Their effect on CUKCs is, broadly speaking, that those CUKCs who are persons of Indian origin or women married to Indian citizens, may acquire citizenship by registration on application. This applies whether or not they are resident in India at the time of application. However, if their application is sanctioned they must renounce their other citizenship before they can be registered as Indian citizens.
- (d) CUKCs other than persons of Indian origin or women married to Indian citizens are debarred from acquiring Indian citizenship by registration, apparently because the United Kingdom does not recognise as citizenship laws the Indian citizenship legislation (see extract from DSP Volume 43 Section 5.5 attached).
- (e) Citizenship by registration is not available to non-Commonwealth citizens.

/Citizenship



Citizenship by Naturalisation

- (f) Citizenship by naturalisation is not available to citizens of some of the main Commonwealth countries including the United Kingdom or to citizens of Pakistan.
- (g) For those to whom it is available, the main qualifications are that the applicant should:
- (i) renounce his other citizenship;
 - (ii) have resided in India for 12 months immediately preceding his application;
 - (iii) have been resident in India or in the service of the Indian Government or both for not less than 4 years of the 7 years immediately preceding application;
 - (iv) be of good character;
 - (v) have an adequate knowledge of one of the 14 languages specified in the Constitution (English is not included);
 - (vi) intend to reside in India or continue in Indian Government service.

2. It should be stressed that the above represents the High Commission's best endeavours to interpret the relevant Indian legislation. The interpretations given by the Indian authorities whom we have consulted tend to differ from each other and to vary from time to time.



EXTRACT FROM DSP VOLUME 43 SECTION 5.5.2

The enactments of Australia, South Africa and Southern Rhodesia were all declared by the Home Secretary under Section 32(8) to be citizenship laws for the purposes of the Act. But because the acquisition of citizenship automatically was so restricted in the enactments of India and Pakistan, the enactments of those countries were never declared by the Home Secretary to be citizenship laws, and consequently persons who derived British nationality through connections with British India and who have not subsequently become citizens of India or Pakistan or of any other Commonwealth country or the Irish Republic, still remain British subjects without citizenship.

BACKGROUND
BRIEF

JINNAH HOUSE

Jinnah House, the residence of the Deputy High Commissioner in Bombay, was built before Independence by the late Mr Jinnah for his family. After Independence the house was requisitioned by the Government of India as enemy property. However, the then Prime Minister of India, Jawaharlal Nehru, sought Jinnah's views about the use to which the house should be put. Jinnah is recorded as saying "It is a small house fit only for a small European family or a refined Indian prince." Presumably partly in deference to Jinnah's wishes the Indian Government leased the house to HMG and we have been in occupation ever since.

However, the present lease is due to expire on 25 December 1981 and the Indian Government served notice last year that they would not renew the lease. The reason given was that, following agreement that Pakistan could establish a Consulate General in Bombay, they wished to make the house available to be the residence of the incoming Pakistan Consul General.

The present position is that the Pakistanis have not yet set up a Consulate General and we have not been able to find suitable alternative accommodation. The property market in

/Bombay



Bombay is exceedingly difficult and virtually all property transactions necessitate dealing in "black money". We have informed the Indian Government that we have been unable to find alternative accommodation and have put them on notice that, unless they can do something to help, we may not be able to move out.



BACKGROUND
BRIEF

INDIAN INTERNATIONAL TRADE FAIR (PRAGATI MAIDAN)

1. The biannual International Trade Fair held at Pragati Maidan is in the nature of a "world fair", lasting up to four weeks. It is not (whatever the Indians claim) primarily a commercial event. British industry was sounded by the Department of Trade about participation in the last (November 1979) Fair and showed very little interest. The COI therefore mounted an information stand to ensure that the UK was not entirely unrepresented.

2. The next fair will be in November this year. The Department of Trade is now considering whether even an information stand can be justified on grounds of cost if there is little support from industry. It is unlikely that many British companies will wish to participate. Several other EC countries are believed also to be unenthusiastic about the event, regarding it as of limited commercial value.

Defensive line to take if asked about British participation

3. I understand that possible British participation is under consideration by the Department of Trade. They will no doubt be in touch with you in due course.



BRIEF

INVITATION TO MRS GANDHI TO SEND YOUNG CONGRESSMEN TO BRITAIN

Line to Take

1. Sir John Thomson suggested last year that you might send three or four young Congress party members to visit Britain as our guests.
2. This is an excellent idea. It would increase understanding between the younger generation in India and Britain.
3. We would ensure the visitors returned with a greater understanding and knowledge of Britain.

Background

4. In September 1980 Sir John Thomson invited Mrs Gandhi, through her Private Secretary, to send 3-4 young Congress (I) members to the UK at HMG's expense. The invitation was repeated in writing in December 1980. Mrs Gandhi has not replied.
5. The purpose of the visit would be to expose influential young Congress workers (not necessarily MPs) to modern Britain and to improve our links with the ruling party.

PROPOSED ENTRY IN THE CEREMONIAL BOOK, GANDHI SAMADHI,
RAJ GHAT

Gandhiji was a man of deep wisdom and humanity whose life and teachings remain an inspiration to the whole world. His message of peace and brotherhood are as relevant today as ever. It is a great honour to pay tribute to his memory here today.



PROPOSED SPEECH AT BAMNAULI

I am grateful to the people of Bamnauli for their warm welcome and their hospitality, and to the Indian Agricultural Research Institute who helped to arrange my visit. I have been most interested in what you have shown me, and particularly in the great strides you have made in food production. When I was last in India I was impressed by the revolutionary possibilities which the new varieties of grain and the new cultivation techniques offered for increased cereal production. Your village is a striking example of what can be achieved. India has been transformed from a country where every monsoon failure brought the spectre of widespread famine, to one which is self-sufficient in cereals. Many experts consider that this represents one of the greatest agricultural advances since men first began to farm the land. You have played a part in that historic achievement and it is something of which you can be justly proud. I am particularly pleased that scientists from my own country will be able to help in this task by working with their counterparts at the Indian Agricultural Research Institute to find ways in which costly fertilisers can be more effectively utilised and to develop even better varieties of wheat. I have greatly enjoyed meeting some of the people of Bamnauli albeit very briefly, and in particular seeing some of your children. It is the children who carry our hopes for the future. As a former Minister of Education myself, I am well aware how vital education is. I am glad to see the dedication with which both pupils and teachers are applying themselves to the task. I am particularly pleased to say that, on behalf of the Government and people of Britain, I am making a gift to the school which will enable ...

GRS 470
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FM DELHI 140650Z APR 81
TO IMMEDIATE FCO
TELEGRAM NUMBER 412 OF 14 APRIL.

FOLLOWING FOR SAD AND NO. 10
MY TELNO 404: VISIT OF THE PRIME MINISTER: RACE RELATIONS AND
THE NATIONALITY BILL

1. A NUMBER OF TODAY'S ENGLISH LANGUAGE PAPERS CARRY EDITORIALS WHICH TOUCH ON THE PRIME MINISTER'S VISIT AGAINST THE BACKGROUND OF THE BRIXTON RIOT. THE TIMES OF INDIA SAYS THAT THE COINCIDENCE OF THE TWO EVENTS SPOTLIGHTS AN ISSUE WHICH CANNOT BE SKIRTED DURING MRS GANDHI'S DISCUSSIONS WITH THE PRIME MINISTER. QUOTE THE ISSUE IS RACISM IN BRITAIN AND ADOPTION BY THE GOVERNMENT OF A POLICY WHICH CAN MAKE SENSE ONLY IN RACIAL TERMS UNQUOTE. THE EDITORIAL NOTES THAT BRITISH GOVERNMENTS OF WHATEVER POLITICAL COMPLEXION HAVE TIGHTENED IMMIGRATION CONTROLS IN RECENT YEARS QUOTE BUT IT IS ONLY MRS THATCHER'S GOVERNMENT WHICH HAS DEVISED A NATIONALITY ACT WHICH OPENLY DISTINGUISHES ONE CLASS OF BRITISH CITIZENS FROM ANOTHER ON THE BASIS OF COLOUR TO THE DISADVANTAGE OF THE COLOURED ONES UNQUOTE. THE EDITORIAL SUGGESTS THAT THE INDIAN GOVERNMENT SHOULD EXPRESS ITS CONCERN MORE FORCEFULLY TO THE ONLY CIVILISED COUNTRY WHICH HAS QUOTE RESORTED TO SUCH CRUEL PRACTICES AS VIRGINITY TESTS, BONE X-RAYS TO DETERMINE AGE, AND INVOLUNTARY STERILIZATION OF WOMEN UNQUOTE.

2. TURNING TO FOREIGN AFFAIRS, THE TIMES OF INDIA SAYS IT IS NOT CLEAR WHETHER BRITISH FOREIGN POLICY IS DICTATED BY STRIDENT HOSTILITY TO THE SOVIET UNION OR AN AWARENESS THAT REGIONAL PROBLEMS CANNOT BE VIEWED WHOLLY IN AN EAST-WEST CONTEXT. THE EDITORIAL GOES ON QUOTE THE REAGAN ADMINISTRATION IS LAUNCHED ON A COURSE OF ACTION WHICH, IF ADHERED TO AND PUSHED TO ITS LOGICAL CONCLUSION, CANNOT BUT END IN DISASTER... MRS THATCHER HAS WHOLE-HEARTEDLY ENDORSED THIS COURSE OF ACTION UNQUOTE. THE PAPER CONCLUDES BY SAYING THAT THE PRIME MINISTER'S VISIT WILL ALLOW MRS GANDHI TO SET OUT INDIA'S CONCERN ABOUT THE THREAT TO INDIAN SECURITY WHICH WOULD BE CREATED BY ANY REARMING OF PAKISTAN.

/ 3. THE NATIONAL

3. THE NATIONAL HERALD, A DAILY OWNED BY THE RULING CONGRESS PARTY, COMMENTS EDITORIALY THAT BRITAIN IS WITHIN HER RIGHTS TO REJECT NEW IMMIGRANTS, BUT CRITICISES THE QUOTE ATMOSPHERE OF HATRED UNQUOTE AGAINST BRITISH CITIZENS OF NON-WHITE ORIGIN CREATED NOT ONLY BY MR POWELL BUT BY QUOTE MOST CONSERVATIVE POLITICIANS UNQUOTE. EDITORIALS IN THE STATESMAN AND THE HINDUSTAN TIMES ABOUT THE BRIXTON RIOT ARE MUCH MORE BALANCED THAN THOSE IN THE TIMES OF INDIA AND NATIONAL HERALD, THOUGH THE HINDUSTAN TIMES REFERS TO QUOTE THE RACIAL OUTLOOK OF THE BRITISH RULING CLASS UNQUOTE AS THE MAIN CAUSE OF CONCERN FOR NON-WHITE IN BRITAIN.

4. THIS EDITORIAL CRITICISM IS BALANCED BY A NUMBER OF MORE HELPFUL PIECES. THE TIMES OF INDIA CARRIES ON ITS FRONT PAGE THE PRIME MINISTER'S MESSAGE TO THE INDIAN PRESS, WHILE THE INDIAN EXPRESS PUBLISHES ON ITS LEADER PAGE AN ARTICLE UNDER MY NAME ON RACE RELATIONS IN BRITAIN AND THE NATIONALITY BILL.

THOMSON

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PS/MR BLAKER
PS/FUS
SIR J GRAHAM
MR DONALD



HOUSE OF COMMONS
LONDON SW1A 0AA

From Mr. Thatcher

14th April, 1981.

BRITISH BID FOR INDIAN TELECOM SYSTEM

1. Mrs. Gandhi has several times indicated that she is worried about the unity of India. With so many and diverse regions, tribes and religions, the dangers of fragmentation are never far away, especially in areas like Assam. A point I have made to Mrs. Gandhi, which she readily accepts, is that the British united India - by means of the Indian Army, the ICS, the legal system and the railways. Why not, again, via modern telecom? More recently, in conversation with Mr. Stefan, the Minister of Telecommunications, I remarked that his top priority must be to keep the central government of India better informed about separatist pressures on the periphery - by telephone. Stefan fastened onto this. I suspect Mrs. Gandhi would too.
2. India's present telephone system is appalling. To 'phone from Calcutta to Delhi can take the better part of a day - and when eventually the call comes through, it is very often inaudible. Campaigning in her constituency, Rae Bareilly, Mrs. Gandhi was completely cut off. We could not even 'phone from Lucknow to Delhi!
3. She therefore accepts the need to modernize the system. Whether she appreciates the wisdom of moving directly from the old electro-mechanical system to a fully digital system is less certain. Swraj Paul, who spoke to her son, says he (Raji) recognizes that it would be folly for India to install in the rural communities which are to be the first "targets" of the telecom improvement programme, systems that already are obsolete. Raji is also aware that the higher price of digital systems can more than be made up by greater reliability and reduced costs of maintenance.
4. The crucial point, for the British bid, is that India should go "digital" in the first 60,000 line rural exchange development to be financed by the World Bank. If Plessey gets this order the British consortium will be well placed to win the bigger future contracts for System X in the urban areas.
5. The advantages of System X - and digital exchanges generally - are set out, perhaps oversimply, on the attached paper. The bull points are Reliability ... Speech quality ... Comparability with other advanced systems ... Low costs of maintenance etc.

Continued.

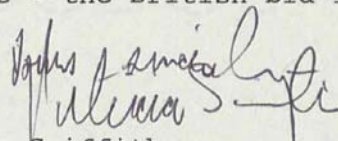


HOUSE OF COMMONS
LONDON SW1A 0AA

6. The bid for the rural contract at present are thought to be as follows:

	<u>Fully Digital</u>	<u>£M Sterling</u>
1.	GTE Italy - 30% digital	13.41
2.	Plessey - 100% digital	13.84
3.	STN Norway - 100% digital	15.04
4.	Hitachi - and several others	16.45
	<u>Non-Digital</u>	
	Gold (Korea) - obsolete	9.03
	Isura (Yugoslavia) "	10.89
	GTE (Italy) older system -	10.8

7. If the Indians opt for a cheap, but obsolete system, with very high maintenance costs, they will choose one of the Korean and Yugoslavian systems. Alternatively they would get more lines from Siemens at a cheaper price per line. But if they can be persuaded of the advantages of going digital - because it is the world system of the future - the British bid looks the best.


Mr. Eldon Griffiths.

Rt. Hon. Margaret Thatcher, M.P.



HOUSE OF COMMONS
LONDON SW1A 0AA

SYSTEM X ADVANTAGES

- * BACKED BY BRITISH TELECOM
- * AVAILABLE FROM G.E.C., PLESSEY OR S.T.C.
- * IMPROVED SPEECH QUALITY
- * IMPROVED RELIABILITY
- * LESS SPACE REQUIRED
- * BETTER NETWORK MANAGEMENT INFORMATION
- * NEW FACILITIES EASILY ADDED

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DESKBY 141000Z

FM DELHI 140755Z APR 81

TO IMMEDIATE FCO

TELEGRAM NUMBER 411 OF 14 APRIL.

INFO ROUTINE WASHINGTON, ISLAMABAD, PEKING.

PRIME MINISTER'S TALKS WITH MRS GANDHI

1. MRS GANDHI IS VERY EXPERIENCED AND WILL NOT NECESSARILY STICK TO HER BRIEFS. ON THE BASIS OF MY TALKS WITH HER, I BELIEVE SHE WILL WANT TO CONCENTRATE ON AMERICAN INTENTIONS, SOVIET INTENTIONS AND HOW THE TWO IMPRINGER ON THE BALANCE OF POWER, ESPECIALLY IN THIS PART OF THE WORLD.

2. I BELIEVE THAT MRS GANDHI WILL BE WILLING TO SAY (PERHAPS WITH SOME TACTFUL ENCOURAGEMENT):

(A) THE SOVIETS SHOULD LEAVE AFGHANISTAN WHICH SHOULD BE INDEPENDENT, SOVEREIGN AND NON-ALIGNED WITH A FREELY CHOSEN GOVERNMENT (THOUGH IT WOULD BE UNREALISTIC TO AIM FOR AN ANTI-SOVIET GOVERNMENT) SEMI-COLON

(B) THE SOVIETS SHOULD KEEP THEIR HANDS OFF POLAND SEMICOLON

(C) THE SOVIETS ARE GENUINELY WORRIED ABOUT THE CONTINUATION OF THEIR SYSTEM (WHICH INDIA DOES NOT ADMIRE) AND NOT LEASE ABOUT THE EFFECT OF ISLAM IN THEIR CENTRAL ISLAM REPUBLICS.

(D) INDIA HAS NOT THE SLIGHTEST INTENTION OF ATTACKING OR COERCING PAKISTAN, DOES NOT HAVE AN ANTI-PAKISTAN POLICY CONCERTED WITH THE SOVIET UNION, CERTAINLY DOES NOT WANT A COMMON BORDER WITH THE SOVIETS AND RESENTS ACCUSATIONS TO THE CONTRARY. INDIA WOULD LIKE A STABLE INDEPENDENT PAKISTAN. MRS GANDHI MAY STOP SHORT OF ASKING THE PRIME MINISTER TO REASSURE GENERAL ZIA, BUT SHE MIGHT BE GLAD TO KNOW THAT THE PRIME MINISTER WAS WILLING TO DO THIS.

(E) INDIA HAS NO FUNDAMENTAL QUARREL WITH PAKISTAN AND WOULD BE READY TO SETTLE THE KASHMIR QUESTION ON THE LINE OF "ACTUAL CONTROL". WHILE IT MAY TAKE SOME TIME FOR PAKISTANI OPINION TO EVOLVE IN THIS DIRECTION, INDIA WOULD MEANWHILE BE READY TO IMPROVE RELATIONS, THE PAKISTAN NUCLEAR PROGRAMME PERMITTING.

(F) INDIA RECOGNISES THAT EVERY COUNTRY HAS THE RIGHT TO ACQUIRE A REASONABLE SUPPLY OF ARMS FOR SELF DEFENCE AND WOULD HAVE NO OBJECTION TO PAKISTAN ACQUIRING AMERICAN ARMS ON THE SAME SORT OF TIME SCALE (10 TO 15 YEARS) THAT APPLIES TO OUR SALE OF JAGUAR TO INDIA OR THE SOVIET-INDIAN ARMS DEAL.

(G) INDIAN RECOGNISES THAT PAKISTAN IS IN A DIFFICULT SITUATION NOT LEAST BECAUSE OF THE REFUGEES AND WOULD UNDERSTAND HUMANITARIAN ASSISTANCE TO THE LATTER.

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(H) INDIA DOES NOT BELIEVE THAT CHINA IS SUPPLYING FISSILE MATERIAL TO PAKISTAN AND IS READY FOR A CAUTIOUS BUT STEADY IMPROVEMENT IN SINO-INDIAN RELATIONS WHILE LEAVING THE FRONTIER QUESTION ON ONE SIDE.

3. ON THE OTHER SIDE OF THE COIN, MRS GANDHI IS ALLERGIC TO:

(A) THE MILITARY CHARACTER OF THE REGIME IN PAKISTAN.

(B) ITS NUCLEAR POLICY AND THE APPARENT US CONDONATION OF IT.

(C) THE IDEA THAT PAKISTAN MIGHT CEASE TO BE NON-ALIGNED AND MIGHT BRING THE COLD WAR TO INDIA'S FRONTIER.

(D) USING PAKISTAN AS A CONDUIT FOR WEAPONS TO THE MUJAHEDDIN, WHICH IN HER VIEW OBLIGES THE SOVIETS TO STAY IN AFGHANISTAN AND IS LIKELY TO PROVOKE A SOVIET RESPONSE THAT WILL DE-STABILISE PAKISTAN IF NOT THE WHOLE AREA.

(E) A RAPID SOPHISTICATED ARMS BUILD-UP SUCH AS PROPOSED BY THE AMERICANS EG. ABOUT DOLLARS 3.5 BILLION OVER THE NEXT 5 YEARS (ISLAMABAD TEL NO 174) WHICH MIGHT BE USED EITHER IN ACCORANCE WITH PRECEDENT, AGAINST INDIA OR FOR AN OVER-ADVENTUROUS POLICY VIS A VIS THE SOVIETS AND AFGHANISTAN. ARMS EVEN ON THIS SCALE WOULD BE OF NO REAL USE IF THE RUSSIANS DECIDED TO INVADE PAKISTAN.

(F) HAIG'S "STRATEGIC CONCEPT FROM PAKISTAN TO EGYPT" WHICH WILL WORSEN INDO-PAKISTAN RELATIONS AND MORE OR LESS OBLIGE THE INDIANS TO DRAW FURTHER AWAY FROM THE US AND POSSIBLY ALSO CHINA.

(G) BEING TOLD BY THE AMERICANS (OR ANYBODY ELSE) HOW INDIA SHOULD BEHAVE.

4. MRS GANDHI IS PROBABLY WILLING TO RECOGNISE THAT MOST DIFFERENCES OF PERCEPTION BETWEEN OUR 2 COUNTRIES STEM FROM OUR DIFFERENT VIEWS OF SOVIET INTENTIONS. SHE SEES THE RUSSIANS AS NECESSARY FRIENDS AND HAS LITTLE REGARD FOR THE AMERICAN WAY OF DOING THINGS, WHICH SHE SUSPECTS IS AS LIKELY TO PROVOKE AS TO HALT SOVIET EXPANSIONISM. SHE WILL LISTEN WITH INTEREST AND RESPECT TO ANY EXPOSITION BY THE PRIME MINISTER OF HOW WE FROM OUR POSITION IN WESTERN EUROPE VIEW THE SOVIET UNION.

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MR DONALD

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DESKBY 131400Z

FROM DELHI 131210Z APR 81

TO IMMEDIATE FCO
TELEGRAM NUMBER 404 OF 13/4/81

FOLLOWING FOR SAD AND NO10.

VISIT OF THE PRIME MINISTER: RACE RELATIONS IN BRITAIN AND THE NATIONALITY BILL

1. RACE RELATIONS IN BRITAIN AND THE NATIONALITY BILL CONTINUE TO ATTRACT ALMOST DAILY ATTENTION IN THE INDIAN PRESS. THE STATESMAN, THE DOYEN OF THE ENGLISH LANGUAGE PRESS, CARRIED ON 11 APRIL A LONG ARTICLE ENTITLED QUOTE BRITAIN'S RACE BILL UNQUOTE BY PROFESSOR MICHAEL DUMMETT OF OXFORD UNIVERSITY, WHO INVITED THE INDIAN GOVERNMENT AND PEOPLE TO QUOTE CONVEY TO MRS THATCHER THEIR DISMAY AT THE FINAL REPUDIATION OF THE COMMONWEALTH IDEA BY THIS BILL WHICH UNILATERALLY ABOLISHES THE COMMON STATUS ALL COMMONWEALTH CITIZENS NOW BEAR UNQUOTE. EDITORIAL COMMENT IN OTHER PAPERS HAS BEEN MORE INTEMPERATE. THE PIONEER REFERRED AT LENGTH ON 7 APRIL TO QUOTE RACIST BRITAIN UNQUOTE WHILE SEVERAL PAPERS HAVE WRITTEN ABOUT THE ALLEGATIONS THAT IMMIGRANT WOMEN IN BRITAIN HAVE BEEN STERILISED WITHOUT THEIR KNOWLEDGE, THE INFLUENTIAL TIMES OF INDIA UNDER THE HEADLINE QUOTE NEVER ENDING HORRORS UNQUOTE. TODAY, THE BRIXTON RIOT IS FRONT PAGE NEWS, THOUGH SOME PAPERS SEE ECONOMIC RATHER THAN RACIAL TENSIONS AS THE CAUSE.
2. ON THE PLUS SIDE, SEVERAL OF THE MAJOR PAPERS HAVE CARRIED RECENT STATEMENTS BY THE HOME SECRETARY AND TODAY'S HINDUSTAN TIMES, DELHI'S LARGHEST CIRCULATING ENGLISH DAILY, CARRIES THE PRIME MINISTER'S MESSAGE TO THE INDIAN PRESS ON THE EDITORIAL PAGE UNDER THE HEADLINE QUOTE THATCHER PROMISES RACIAL EQUALITY UNQUOTE.
3. IT WOULD BE PRUDENT TO ASSUME THAT THESE ISSUES WILL CONTINUE TO FIGURE PROMINENTLY IN THE PRESS THROUGHOUT THE VISIT, PARTICULARLY IN EDITORIALS ON 15 APRIL. AS WE HAVE INDICATED PREVIOUSLY (MY TELNO 244) THERE MAY ALSO BE DEMONSTRATIONS DURING THE VISIT THOUGH THESE ARE UNLIKELY TO GO BEYOND BANNER WAVING AND THE SHOUTING OF SLOGANS WHICH ARE A NOT UNCOMMON PART OF THE DELHI SCENE.

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4. A FURTHER FEATURE OF DELHI OF WHICH THE PRIME MINISTER AND HER PARTY MAY WISH TO BE AWARE IS THAT PROMINENT VISITORS DO NOT ATTRACT LARGE CROWDS. PRESIDENT GISCARD D'ESTAING, BREZHNEV AND THE PRINCE OF WALES, TO CITE THREE VERY DIFFERENT VISITORS, DROVE THROUGH RELATIVELY EMPTY STREETS ON ARRIVAL.

THOMSON

*MINITAL
S.A.D.*

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Mr Alexander NO 10

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FM DELHI 131140Z APR 81
TO IMMEDIATE FCO
TELEGRAM NUMBER 403 OF 13 APRIL.
INFO IMMEDIATE DOT (FOR PEP AND CRE) AND ODA.

MIPT; PRIME MINISTER'S VISIT: ECONOMIC AND COMMERCIAL SPEECH'S.

INDIAN OPINION IS INCREASINGLY IMPATIENT WITH THE FACT THAT THE COUNTRY'S ECONOMIC GROWTH REMAINS OBSTINATELY SLUGGISH. LONG-HELD BELIEFS AND BALANCE OF PAYMENTS PROBLEMS MAKE IT EXTREMELY DIFFICULT FOR HER TO BREAK AWAY FROM THE REGIME OF AUTARKIC DEVELOPMENT UNDER CLOSE GOVERNMENT SUPERVISION WHICH MANY BELIEVE TO BE THE ROOT OF THE PROBLEM. HOPE IS INSTEAD NOW PINNED ON A NUMBER OF MAJOR FOREIGN CONTRACTS WHICH ARE DESIGNED TO INCREASE THE CAPACITY OF PARTICULARLY SENSITIVE INDUSTRIES. IT IS NECESSARY FOR BIDDERS FOR THESE CONTRACTS TO OFFER A JUDICIOUS COMBINATION OF AID, EXPORT CREDIT AND BUY-BACK ARRANGEMENTS IN ORDER TO MINIMISE THE IMMEDIATE FOREIGN EXCHANGE COST OF THE CONTRACTS TO INDIA AND THUS MAKE THEM ATTRACTIVE IN PRESENT CIRCUMSTANCES. IT IS ALSO NECESSARY, AS A RESULT OF THE CLOSE GOVERNMENT INVOLVEMENT IN INDIAN INDUSTRY, TO DO MUCH OF THE NEGOTIATION AT GOVERNMENT LEVEL

2. THIS IS A SITUATION WE ARE AT THE MOMENT WELL PLACED TO EXPLOIT. IN THE LAST FEW YEARS BRITISH INDUSTRY HAS BEEN TAKING A GREATER INTEREST IN INDIA, AS EVIDENCED BY THE INCREASE IN THE NUMBER OF TRADE MISSIONS. OUR EXPORTS ARE RISING. BRITISH BANKS, PARTICULARLY ONE OR TWO MERCHANT BANKS, HAVE BEEN QUICK TO EXPLOIT THE OPENING PROVIDED BY INDIA'S GREATER WILLINGNESS TO TAKE UP COMMERCIAL MONEY, AND THEIR EXPERTISE IS RESPECTED. OUR AID PROGRAMME HAS GIVEN US A FOOT IN THE DOOR OF KEY SECTORS SUCH AS COAL AND POWER AND IS NOW BEING USED MORE VIGOROUSLY IN SUPPORT OF OUR COMMERCIAL OBJECTIVES. THE MORE VISIBLE AND MORE AGGRESSIVE STANCE IN THE INDIAN MARKET WHICH RESULT FROM ALL THESE FACTORS TOGETHER HAS NOT GONE UNNOTICED BY OUR COMPETITORS OR BY THE INDIANS. MANY INDIANS, IN THE PUBLIC AND PRIVATE SECTOR, HAVE REMARKED FAVOURABLY ON IT, OFTEN COMMENTING THAT IT IS LONG OVERDUE.

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3. THE PRIME MINISTER'S VISIT, FOLLOWING THAT OF LORD LIMERICK AND HIS TEAM IN NOVEMBER 1980 AND THE SECRETARY OF STATE FOR TRADE IN FEBRUARY 1981 GIVES US AN OPPORTUNITY TO IMPRESS AGAIN ON THE INDIANS THAT WE TAKE THEM SERIOUSLY, WANT TO COOPERATE IN THE DEVELOPMENT OF THEIR ECONOMY AND HAVE HIGHLY COMPETITIVE EQUIPMENT, TECHNOLOGY AND FINANCE TO OFFER SEMICOLON AND (WITHOUT SACRIFICING OUR OWN INTERESTS) TO SHOW THAT WE ARE ALSO SENSITIVE TO THEIR CONCERNS SUCH AS PROTECTIONISM (ON WHICH OUR RECORD IS ANYWAY GOOD) AND THEIR TRADING IMBALANCE WITH US.

4. THE VISIT COMES AT THE TIME WHEN THE DECISION ON THE MAJOR CONTRACT WE ARE AFTER, THE COASTAL STEEL PLANT, IS IMMINENT. WE HOPE THE VISIT MAY PROVIDE THE IMPETUS TO PUSH THE DECISION OUR WAY, AND ALSO TO SECURE AGREEMENT IN PRINCIPLE OF COLLABORATION ON A NEW THERMAL POWER STATION.

THOMSON

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PS/LPS
PS/MR BLAKER
PS/PUS
SIR J GRAHAM
MR DONALD

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PEP } DOT

Imperial Chemical Industries Limited

Imperial Chemical House
Millbank London SW1P 3JF
Telephone 01-834 4444

From
Sir Maurice Hodgson
Chairman

13th April 1981

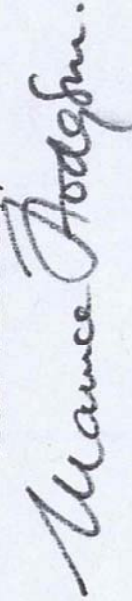
M.O'D.B. Alexander Esq.,
Private Secretary to the Prime Minister,
Prime Minister's Office,
10 Downing Street,
London SW1.

Dear Mr. Alexander,

As requested, I attach a copy of a two page brief on our problems with pharmaceuticals in India. This was prepared for me by Mr. Mudaliar who is head of our operations there.

One further item of background information which might be useful is the fact that we employ 11,000 people in India and this total includes only one British expatriate. He is not the head of the organisation.

Yours sincerely,



Enc.

**I C I PHARMACEUTICAL UNIT AT ENNORE,
MADRAS, INDIA**

Imperial Chemical Industries (ICI), one of the leading foreign companies operating in India, have made substantial investments in priority sectors of the Indian economy. During the last three decades, assets of I C I's Indian subsidiaries have increased substantially to the current level of £ 88 million (Rs. 1580 m.). The sales turnover in 1980 from these investments was around £ 128 million (Rs. 2300 m.). At the time of Independence in 1947, I C I had only one manufacturing unit in India near Calcutta where caustic soda/chlorine was produced. Since then I C I, through its subsidiaries have established major factories at six different locations in India. In these units, I C I subsidiaries produce a wide range of chemicals and allied products, all of which are basic to India's industrial development viz Fertilisers, industrial Explosives, Dyestuffs, Crop Protection Chemicals, Polyethylene, Synthetic Fibres, Rubber Chemicals and Paints.

The newest among the factories set up by one of the I C I subsidiaries (The Alkali and Chemical Corporation of India Limited) is located at Ennore in Madras where a range of major bulk drugs with the formulations thereof are produced from the basic stage. The total fixed capital investment in this plant is around £ 4 million (Rs. 70 million). This investment was made around 1977/78 when there was general uncertainty regarding investment in the area of basic drug manufacture.

The Pharmaceutical unit went into production in June 1978. Unfortunately it has been incurring heavy losses since inception on account of the fact that the Government of India has not yet fixed a fair price for its production. The Company's prices have remained frozen at levels of 1970 and 1974 based on the then landed costs of bulk drugs. Despite submissions on the true cost of manufacture verified since by the Industrial Costing Wing of the Ministry of Industry, Government of India, remunerative prices have not been granted so far.

This situation is paradoxical since the Pharmaceutical operations in India fully conform to the requirements of the Drugs policy announced by the Government of India in 1978. All the pharmaceutical products in its manufacturing range are

produced from basic stages ; there are no requirements of imported, canalised or locally produced bulk drugs. The products are ethical pharmaceuticals developed by I C I through years of extensive research. The manufacturing processes involve use of sophisticated technology and the formulations produced conform to the highest international standards.

The necessary application to the Government of India for fixation of fair and remunerative price was submitted way back in July 1978. The delay in clearing the price within the norms laid down by the Government is seriously eroding the viability of the unit. Trading losses incurred during the last three years are as follows :

1978	£ 0.9 million	(Rs. 16.3 m.)
1979	£ 0.3 million	(Rs. 6.4 m.)
1980	£ 0.2 million	(Rs. 3.7 m.)

There is a case for hastening the process of approval of the legitimate price increases for the unit based on cost data which has been verified independently by the Indian Government.

I.C.I. House
34 Chowringhee Road,
Calcutta 700071
1st April 1981

Vandana

Mahota

Bhalla

MEA

F
M F



13 APR 1961

From: THE PRIVATE SECRETARY



HOME OFFICE
QUEEN ANNE'S GATE
LONDON SW1H 9AT

13 April 1981

Dear Sir,

IMMIGRATION APPEALS

One of your colleagues told me on Friday that you wished a defensive brief on the Discussion Document on Immigration Appeals for the Prime Minister to use during the course of her forthcoming visit to India. ... I attach a note accordingly.

S W Boys Smith

(S W BOYS SMITH)

M O'D B Alexander Esq

THE GOVERNMENT'S DISCUSSION DOCUMENT ON APPEALS UNDER THE IMMIGRATION ACT 1971

Defensive Brief

Aim of the Review

1. The object is to find ways of reducing delays while at the same time preserving a fair and reasonable system.

Status of the Review

2. The document follows an internal Home Office review. The ideas in it are being put out for discussion. No firm decisions have been taken on any of them. Interested bodies are being invited to submit comments.

Implications for Appellants in India

3. Delays benefit appellants in the United Kingdom but are disadvantageous to appellants abroad. Out of a total of about 11,000 cases referred to adjudicators in 1979 3,000 (representing about 9,500 appellants) were appeals by people abroad seeking settlement in the United Kingdom. About half of the time of adjudicators is spent on such appeals. If the system could be streamlined it would help to reduce delays for appellants in India.

Effect on Rights of Appeal

4. The ideas in the document would not affect the rights of applicants abroad to appeal against refusal of entry clearance.

(If asked)

5. There would be no significant impairment of appeal rights. The document suggests that the holder of an entry clearance who is refused leave to enter should no longer have an automatic right of appeal to the Appeal Tribunal against an adverse decision by an adjudicator. He would have to seek leave to appeal to the Tribunal like other appellants. Another change suggested is the combination of the present separate rights of appeal against refusal to extend stay, and against deportation, into one appeal. The appellant would still be able to present his full case.

Procedures

6. The document suggests possible ways in which procedures might be simplified, in order to speed up hearings and ensure that scarce resources are devoted to the most serious issues.

Additional Rights of Appeal

7. This is considered in the document. It is suggested that a right of appeal might be given in some cases to illegal entrants, for instance if they have lived in the United Kingdom for a long time. They would also have the right to apply for bail.

Independence of Adjudicators

8. It is true that adjudicators are appointed by the Home Secretary. But once appointed they may not be removed during their term of office without the agreement of the Lord Chancellor. Adjudicators come under the supervision of the Council on Tribunals. There is a right of appeal (with leave) against an adjudicator's decision to the Appeal Tribunal, whose members are appointed by the Lord Chancellor.

Appeal Hearings Abroad

9. It is sometimes suggested that appeals by applicants for entry clearance should be heard abroad. It would be impracticable to provide hearings abroad. The appellant may submit all the evidence he wishes. He is entitled to be legally represented at the hearing, if he wishes, by the United Kingdom Immigrants Advisory Service, whose services are free. His sponsor in the United Kingdom will normally give evidence at the hearing and the sponsor's evidence will often be crucial in determining the appellant's entitlement.

BRIEF FOR ALL ON THE PRIME MINISTER BY MR. PRANAB MUKHERJEE,
INDIAN MINISTER OF COMMERCE, STEEL AND MINES

1. Glad last year's good monsoon and recent improvement in the core sectors such as coal have led to present recovery of Indian economy. Now that domestic oil production back to normal, how do you see balance of payments problem?
2. Renewed understanding by both British and Indian businessmen of each other's capabilities; collaborations, including transfers of technology, a key to the future.
3. UK industry active in the major sectors of Indian industry: steel, coal and power. Pleased that 1980/81 has seen more British Government-backed trade missions to India than ever before. Glad that a wide area of collaboration has been reached on coal culminating in Mou. Important to both UK and India that there should be a major breakthrough in the other core sectors, notably: steel (Paradip) and power (package for 1000MW station).
4. Recognise that if Indo/UK trade is to continue to increase it must be on a sound bilateral basis. Appreciation of India's problems: willingness of UK to help. Measures proposed by Mr. John Biffen:
 - (a) High level Indian Mission;
 - (b) Financial help for training in marketing techniques and consultancies;
 - (c) Funding for Association of Indian Engineering Industry office in London.
5. Commitment to free trade: despite recession and appreciation of the pound we have resisted protectionism and maintain few barriers against Indian exports. British market offers much to Indian exporters.

Background briefing on Indo/UK Trade

1. Total visible trade in 1980 worth £825 million. Balance in favour of UK £213 million. UK is now India's third largest supplier after USA and (only just) FRG. Main British exports to India in 1980 included machinery (£134.8 million); transport equipment (£154.3 million); loose diamonds (£92 million); iron and steel (£28.1 million); investments (£19.0 million) and electrical machinery (£14.3 million). Indian exports to the UK were mainly in the traditional areas: tea (£66.2 million) and clothing (£42.4 million) but included in increase in non-traditional items such as engineering goods (£28.3 million).

2. Trade missions from the UK in 1980/81 have included the Machine Tools Manufacturers Association, Engineering Industries Association, Electronic Component Industries Federation, Association of British Mining Equipment Companies, Society of British Aerospace Companies and the North of England Development Council. A major Financial Times Conference was held in Delhi in January 1981 at which the Secretary of State for Trade was a principal speaker.

3. Fourteen senior industrialists took part in a major mission led by the Earl of Limerick at the same time as the Prince of Wales visit. (November 1980).

4. Indian missions sponsored by the Association of Indian Engineering Industry, the Federation of Indian Chambers of Commerce and Industry and the Electronic Components Industries Association have visited Britain since October 1980. Visits by Indian Ministers have included Mr. A.B.A. Ghani Khan Chaudhary (Energy), Mr. Sharma (Shipping), Mr. C.M. Stephen (Communications) and Dr. Charanjit Chana (Industries).



From the Secretary of State

M O'D B Alexander Esq
Private Secretary
10 Downing Street
London, SW1

13. April 1981

Dear Michael

PRIME MINISTER'S VISIT TO INDIA

... I enclose a speaking note for the Prime Minister's meeting with Mr Mukherjee, the Indian Minister of Commerce, Steel and Mines.

Yours sincerely

Catherine Capon.

CATHERINE CAPON
Private Secretary

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PRIME MINISTER'S VISIT TO INDIA

Meeting with Minister of Commerce, Steel and Mines
(Mr Mukherjee) (Provisionally Thursday 16 April at 11.30)

Speaking Notes

Very glad to have the opportunity even of a very short talk with you. Much of my visit devoted to political themes. Has been a great pleasure to renew my acquaintance with Mrs Gandhi. But trade - and particularly steel and mines, the other parts of your portfolio - is a very important element in the relationship between India and the UK. Welcome the efforts both Governments have been making to mark my visit by extending and developing that relationship in a number of ways. Delighted about Davy getting the steel plant contract - IF THEY HAVE High hopes of future business in coal and power sectors.

2. Industry in both our countries and elsewhere suffering at the moment from the effects of world-wide recession. But my Government has resolutely defended an open world trading system. The tide will turn, and the long and intimate association between many Indian and British enterprises and the growing prowess of Indian industry should offer an excellent foundation for developing Indo-British trade links as it does. Memoranda of Understanding on collaboration in various industrial sectors, space, and science and technology point the way. Very glad that problems over the double taxation agreement have been resolved. An unspectacular but very useful step forward.

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3. I well understand the GoI's concern about the increasingly adverse trade balance, after many years when it favoured India. This should not be blamed on British protectionism. We maintain very few restrictions on Indian imports, and only five of the seventeen quotas ~~on~~ Indian textiles and clothing actually "bite". Overall, India uses barely half her opportunities in this sector. Shortages and restrictions applied by the GoI themselves have worsened the balance appreciably - eg the prohibition on exports of silver stopped a trade worth some £10m annually. There are your export quotas on semi-finished leather, and export duties on tobacco and tea. The solution must, in the long term, lie in Indian manufacturers extending their technological sophistication to overseas marketing. We are prepared to help. My Trade Secretary, John Biffen, has already invited you to send a suitably qualified mission to the UK, to explore the opportunities and look into the difficulties. We should be glad to discuss their findings with you, and evolve a programme of suitable measures.

Defensive - for use only if raised

Folkloric garments

4. Customs have ^{agreed to} ~~now~~ release goods covered by 7 of the 27 Indian export documents involved. We do not want to detain any of the goods longer than is necessary. But sensitive products which neither we nor the EC consider meet the conditions required for quota-free treatment can be released only for re-export. Some ^{of the, moreover,} goods are detained because of suspected Customs offences. We have no wish to



exclude eligible goods and regret that these problems have arisen, but cannot tell Customs not to apply the law. We hope that Indians will take up our proposal for joint discussions with HM Customs, which should lead to clearer understanding about the application of the agreement rules and reduce the risk of problems in the future.

Inflammable dresses

5. Publicity about the Indian dresses being particularly flammable started with the media, not HMG. There were in fact a dozen accidents. Ministers were obliged to react, and by so doing quelled suggestions potentially far more damaging to Indian exports *than the wording Indians have objected to.* No further accidents have been reported, and the possibility of introducing warning labelling has accordingly been set aside for the moment. A statement is being made to this effect. It ^{will} recognise that the fire risk lies in the style and fabric of the dress, not the country of manufacture. 7

Aflatoxin

6. Action had to be taken on an expert report expressing concern about the risk to child health from aflatoxin contamination of milk, and identifying groundnut and cottonseed user in cattle feed as the principal contaminants. You have objected to our continuing to allow the use in cattle feed of other products (like soya) which are capable of containing detectable quantities of aflatoxin. I well understand this objection, but a prohibition on imports of all feedstuffs containing



detectable amounts of aflatoxin would have had much the same effect, because groundnuts and cottonseed show a much higher aflatoxin incidence than the rest. India is not the only supplier country affected.

7. Our object is simply to keep aflatoxin out of milk. We would like to achieve this without damaging the interests of overseas suppliers of feedstuffs; but this entails major control problems within the UK. All that I can promise is that we are fully aware of India's views and are considering the problem as rapidly as we can. ~~We hope by the turn of the month to have a clearer view of the way ahead.~~

Opium

8. This is a problem with many facets and India's export interest is only one of them. UK is not the only country which has been switching from Indian raw opium to "straw", which has both technical and preventive advantages. We are, frankly, reluctant to use preventive legislation to restrict British firms to raw opium in order to protect a traditional trade. At the same time we appreciate the effectiveness of GoI control over illicit trafficking, and recognise the connection between this and the existence of a stable, legitimate market for raw opium. Our minds remain open, but the problem is essentially a global one and we doubt whether action by the UK alone could do more than scratch its surface.

GRS 300

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DESKBY 131400Z

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FROM DELHI 131130Z APRIL 81

TO IMMEDIATE FCO
TELEGRAM NUMBER 401 OF 13/4/81

REPEATED FOR INFO TO IMMEDIATE DOT (FOR CRE AND PEP)

AND TO ODA

PRIME MINISTER'S VISIT

BRIEF FOR THE CALL ON THE PIME MINISTER BY MR PRANAB MUKHERJEE,
INDIAN MINISTER OF COMMERCE, STEEL AND MINES.

MIPT.

SPEAKING NOTES.

1. INDIAN ECONOMY S(SEE PARA 1 OF MY TEL NO 399 BRIEFING FOR CALL
BY MINISTER OF FINANCE).

2. RENEWED UNDERSTANDING BY BOTH BRITISH AND INDIAN BUSINESSMEN
OF EACH OTHER'S CAPABILITIES: COLLABORATIONS, INCLUDING TRANSFERS
OF TECHNOLOGY, A KEY TO THE FUTURE.

3. UK INDUSTRY ACTIVE IN THE MAJOR SECTORS OF INDIAN INDUSTRY:

STEEL

COAL

POWER

(SEE DOT BRIEF NO 10). PLEASED THAT 1980/81 HAS SEEN MORE
BRITISH GOVERNMENT-BACKED TRADE MISSIONS TO INDIA THAN EVER
BEFORE. GLAD THAT A WIDE AREA OF COLLABORATION HAS BEEN REACHED
ON COAL CULMINATING IN MOU. IMPORTANT TO BOTH UK AND INDIA THAT
THERE SHOULD BE A MAJOR BREAKTHROUGH IN THE OTHER CORE SECTORS,
NOTABLY

STEEL (PARADIP)
POWER (PACKAGE FOR 1000MW STATION).

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4. RECOGNISE THAT IF INDO/UK TRADE IS TO CONTINUE TO INCREASE IT MUST BE ON A SOUND BILATERAL BASIS. APPRECIATION OF INDIA'S PROBLEMS:

WILLINGNESS OF UK TO HELP. MEASURES PROPOSED BY MR JOHN BIFFEN:

HIGH LEVEL INDIAN MISSION

FINANCIAL HELP FOR TRAINING
IN MARKETING TECHNIQUES AND
CONSULTANCIES

FUNDING FOR ASSOCIATION OF
INDIAN ENGINEERING INDUSTRY
OFFICE IN LONDON.

5. COMMITMENT TO FREE TRADE: SEE PARA 4 OF MY TEL NO.399 (CALL BY FINANCE MINISTER).

DEFENSIVE

6. SEE DOT BRIEF NO 10 ON

PROTECTIONISM

FOLKLORIC TEXTILES (TO THE
EXTENT THIS PROBLEM HAS NOT
BEEN SOLVED BY THE PRIME
MINISTERS DIRECTIVES)

INFLAMMABLE DRESSES

AFLATOXIN CONTAMINATED
FEEDSTUFFS

OPIUM.

THOMSON

LIMITED
SAD
ERD
PCD
ESDSD
PS
PS/LPS
PS/MRBLAKER
PS/PUS
SIR J. GRAHAM
MR DONALD

COPIES TO
MR ALEXANDER, NO. 10

CRES }
PEP } DOT

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PRIME MINISTER'S VISIT TO INDIA:
15-19 APRIL 1981

PMVJ(81) 1-16 - briefs
held in CAB 133/513.
This set destroyed.

1. STEERING BRIEF
2. EAST/WEST RELATIONS (INCLUDING POLAND, ARMS CONTROL, DETENTE)
3. AFGHANISTAN
4. IRAN/IRAQ, THE GULF AND THE INDIAN OCEAN
5. ARAB/ISRAEL
6. OTHER ASIAN QUESTIONS (INCLUDING INDO/PAKISTAN RELATIONS, SOUTH EAST ASIA, CHINA)
7. INDIA AND INTERNATIONAL INSTITUTIONS
 - a. The United Nations
 - b. The Non-Aligned Movement
 - c. The Commonwealth
8. RELATIONS WITH THE DEVELOPING COUNTRIES (INCLUDING THE BRANDT REPORT AND PROSPECTS FOR THE MEXICO SUMMIT)
9. BILATERAL AID
10. BILATERAL TRADE
11. DEFENCE SALES
12. IMMIGRATION/NATIONALITY
13. FESTIVAL OF INDIA
14. INDIA: INTERNAL POLITICAL AND ECONOMIC (BACKGROUND)
15. OTHER BILATERAL PROBLEMS
16. NUCLEAR MATTERS

R Farman
26.4.11

Over Prime of W. edms

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APPENDIX II (a)

PRIME MINISTER'S PROGRAMME
(as at 9 April)

TIME	ITEM
<u>Wednesday 15 April</u>	
0945	Arrive Delhi Airport Technical Area Ceremonial Reception Guard of Honour Statement by Prime Minister
1010	Leave airport for Rashtrapati Bhavan (RB) (ceremonial drive)
1045	Arrive RB
1110	Leave RB for Raj Ghat .
1125	Arrive Raj Ghat Lay wreath at the Samadhi and plant sapling
1145	Leave Raj Ghat for RB
1200	Arrive RB
1230	Call on the President, RB
1300	Leave RB for High Commissioner's Residence (HCR) for private lunch
1500	Call on Mrs Gandhi, South Block
1545	Formal talks with Indian Delegation, South Block
1720	Return to RB
1730	Private engagement
1825	Leave RB for HCR
1830	High Commissioner's Reception at HCR
1930	Return to RB
2005	Call by Mrs Gandhi, RB
2015	Dinner by Mrs Gandhi in honour of the Prime Minister, RB

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/Thursday

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APPENDIX II (a) (cont'd)

TIME	ITEM
<u>Thursday 16 April</u>	
0800	Private engagement
0900	Call by Foreign Minister, RB
0925	Leave RB for South Block
0930	Second round of talks, South Block
1050	Return to RB
1100	Call by Minister of Finance, RB
1130	Call by Minister of Commerce, RB
1200	Leave RB for TV Studio, Parliament Street
1205	Radio and television interview
1235	Leave TV Studio for RB
1240	Arrive RB
1300	Lunch by the President, RB
1500	Third round of formal talks, South Block
1700	Signing Ceremony, RB
1805	Leave RB for Parliament
1815	Address to Members of Parliament in Central Hall, Parliament House
1900	Return to RB
2005	Leave RB for HCR
2015	Prime Minister's dinner in honour of Mrs Gandhi, HCR
<u>Friday 17 April</u>	
0700	Private engagement
0800	Leave RB
0830	Arrive Bannauli
0915	Leave Bannauli

/0945

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APPENDIX II (a) (cont'd)

TIME	ITEM
<u>Friday 17 April (cont'd)</u>	
0945	(
	(
1005	(
	(NOT YET DECIDED
1035	(
	(
1105	(
1145	Arrive RB
1230	Lunch in suite at RB
1355	Leave RB for Vigyan Bhavan
1400	Press conference at Vigyan Bhavan
1440	Leave Vigyan Bhavan for RB
1445	Arrive RB
1455	Leave RB for airport
1515	Arrive Delhi Airport Guard of Honour Ceremonial farewell Statement by Prime Minister
1535	Leave Delhi for Bombay
1720	Arrive Bombay Airport Reception
1739	Leave airport for Bharatiya Vidya Bhavan, Andheri Campus
1745	Arrive Andheri Campus Lay foundation stone for Institute of Management Studies
1830	Leave Andheri Campus
1920	Arrive Raj Bhavan (RB)
2020	Call by Governor of Maharashtra, RB
2030	Dinner by Governor of Maharashtra, RB

/Saturday

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APPENDIX II (a) (cont'd)

TIME	ITEM
<u>Saturday 18 April</u>	
0700	Private engagement
0800	Leave RB for Gateway of India
0815	Leave Gateway of India for Elephanta by launch
0900	Arrive Elephanta
0945	Leave Elephanta for Barc by launch
1005	Arrive Bombay Power Station Jetty
1015	Arrive Barc
1130	Leave Barc by car
1215	Arrive Oberoi Hotel
1315	Lunch by Bombay Chamber of Commerce, Oberoi Hotel
1530	Leave Oberoi Hotel for RB
1540	Arrive RB
1545	Tea with British journalists at RB
1820	Leave RB for Jinnah House
1830	Prime Minister's Reception, Jinnah House
2005	Leave Jinnah House
2020	Arrive at the National Centre for the Performing Arts for Cultural Programme and dinner
<u>Sunday 19 April</u>	
0700	Private engagement
0935	Leave RB for airport
1015	Arrive airport Farewell
1030	Leave Bombay for Saudi Arabia

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Foreign & Commonwealth Office
London SW1H 0ND

13 April 1981

Mr Alexander
No 10 Downing Street

See Richard.

VISIT OF PRIME MINISTER TO INDIA

1. I enclose as requested:-

- (a) a note on the cost of ECGD of the guarantee on the Coastal Steel Plant;
- (b) a paper on nationality/immigration covering
 - (i) French and German policy on immigrants (supplementing the note enclosed with Rodric Lyne's letter of 9 April);
 - (ii) comparative population densities in India and the UK;
 - (iii) figures for immigration from Bangladesh and Pakistan;
 - (iv) Indian Nationality Law;
 - (v) Indian Immigration Procedures;
- (c) a table of facts on the Indian Economy.

2. As you will have seen we have asked Delhi to telegraph draft briefs for the calls by the Indian Ministers of Commerce and Finance on the Prime Minister.

*Yours ever
A J Coles.*

A J Coles
South Asian Department

cc: Sir J Graham

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ECGD AND THE COASTAL STEEL PLANT

The cost to ECGD of the interest subsidy only, based on a loan amount of £488 million, is an estimated £81.9m, at discounted net present value, and assuming an average of 13 1/2% per annum as the cost of sterling over the 15 year period.

As regards ECGD's overall liability in the event of Indian default, the maximum liability is an estimated £780 m, which comprises the loan of £488 m and an estimate of the total interest on that loan over the 15 year period.



- A Franco-Algerian Agreement on Repatriation of Immigrants
- B German Policy on Immigrants
- C Population Densities
- D Immigration Figures
- E Indian Nationality Law
- F Indian Immigration Procedures

A FRANCO-ALGERIAN AGREEMENT ON REPATRIATION OF IMMIGRANTS

1. An Agreement in 1977 provided for a £1,000 bounty to be paid to Algerian workers voluntarily returning home. Only 2,500 Algerians applied for this and less than 2,000 received it.
2. A new Agreement was reached with the Algerians during the French Foreign Minister's visit to Algeria on 17-18 September 1980. Those Algerians living in France since before July 1962 (estimated at 280,000) will have their Residence Permits renewed for 10 years when they expire. Other Algerians (estimated at 400,000), whose Residence Permits will expire between 1 October 1980 and 31 December 1983 will be able to obtain an extension of 3 years, 3 months.
3. Over the next 3 years, the two governments will offer three alternative inducements to Algerians thinking of returning home:
 - (a) financial assistance equivalent to 4 months' salary; or
 - (b) a training course (from 2-8 months) in a factory in Algeria (or in a French or Algerian training centre); or
 - (c) a loan to assist the creation of small businesses.
4. France will concentrate her efforts on the second item and is ready to finance the construction and management of a dozen training centres in Algeria itself. Altogether the measures are expected to cost France £70 million over the next three years.
5. For their part the Algerian Government will provide financial and customs advantages to returning immigrants and/

and try to make it easier for them to find housing. France will provide guaranteed loans for French companies in the housing construction field.

6. The French authorities expect 35,000 immigrants (out of nearly 700,000 in France) to return to Algeria each year from 1983. Others, including the Embassy in Paris, are sceptical. Research has shown that most Algerians believe themselves better off in France even if unemployed, and the inducements now on offer are not significantly more generous than those that failed to achieve a similar objective in 1977.

B GERMAN POLICY ON IMMIGRANTS

1. In 1973 the FRG authorities put a stop to the recruitment of immigrant workers; they have since accepted Gastarbeiter only from EC member states in accordance with the EC rules of free movement of workers. Numbers were held to about 6.5% of the population until 1978/79 when immigrants began to exploit a loophole which allowed entrance to refugees claiming political asylum. But that flow has also been largely stopped by two administrative measures applicable to those seeking asylum:-

- (a) work permits are now not given during the first year of entry to the FRG;
- (b) social security benefits are paid in kind and not in cash.

2. The German problem has been not so much to reduce the flow of immigrants (except where a special problem such as the asylum one arises) as to integrate those already in the FRG. The idea of offering capital sum payments to induce Gastarbeiter to return to their homelands has not been seriously canvassed, partly for moral and political reasons, but also because FRG social security benefits are better than the average income in Turkey; so the attraction on financial grounds is limited. The Germans have however offered indirect encouragement, by targetting their development aid to Turkey towards industries that might be expected to use the skills of Gastarbeiter currently in the FRG. This approach has had some success. Whether for this reason or because they wanted to return anyway, some 700,000 have returned to Turkey since 1973. The natural increase of those who stayed behind has kept their total numbers more or less constant at about 4 million.

3. A further measure which has restricted the flow to a certain/

certain extent is the introduction of a visa requirement for Turkish visitors.

4. The inflow of ethnic German immigrants does not pose serious problems either for housing or work: most of the 10-20,000 who enter the FRG each year come to join their families, and are well-educated or skilled.

5. Latest figures show that there are now 2.07 million Gastarbeiter in work in the FRG, some 9.9% of the working population.



C POPULATION DENSITIES

Comparative population densities per square kilometre
(1979) are:

UK	229
India	198

D IMMIGRATION FIGURES

Immigration admissions to the UK;

	1978	1979	1980
India	5169	3996	2959
Pakistan	9308	8577	6605
Bangladesh	4115	3961	5546*

* Increase due to faster processing of applicants in Dacca

E INDIAN NATIONALITY LAW

1. Indian Citizenship law provides that Indian citizenship is terminated automatically if a person acquires the citizenship of another country by a voluntary act. (UK legislation is therefore more liberal on this point).

2. A UK Citizen seeking registration as an Indian citizen must renounce UK citizenship before he can be registered. (The UK has no similar requirement).

3. The entitlement to registration is restricted to those who (a) are of Indian origin (b) have been married to an Indian citizen or (c) are children of an Indian citizen. (It might be possible to get Indian agreement to be less restrictive but there has been no demand for us to take this up with the Indians).

4. There is no language qualification requirement for those wishing to register. (We introduced a language requirement in 1973.)

5. UK Citizens have an automatic entitlement to Indian citizenship if born in India.



F INDIAN IMMIGRATION PROCEDURES

1. The Indians do not have an immigration problem in the sense that we understand it. There is no corpus of legislation similar to our own Immigration Acts. The instructions issued to Indian immigration officers are not published.

2. For UK Citizens there are few limitations on their freedom to enter India and remain there although their freedom to work in India is circumscribed.

3. There is only one point on which Indian procedures seem notably tighter than our own:

neither we nor the High Commission have been able to find any reference to a right of appeal to an independent authority.

FACTS ABOUT THE INDIAN ECONOMY

1. GROSS DOMESTIC PRODUCT (1978/9) US\$117.08 billion
2. GNP per capita (recent estimate) US\$180

3. BALANCE OF PAYMENTS

Balance of Trade (estimated 1980/81) Minus US\$6 billion
Invisibles (estimated 1980/81) Plus US\$3 billion
Current account (estimated 1980/81) Minus US\$3 billion

The deficit is expected to be financed by:-

- (a) US\$1.5 billion of official aid
- (b) US\$1 billion commercial borrowing
- (c) US\$0.5 billion by running down reserves.

Reserves are at present equivalent to 5 months imports (c.f. 9 months last year).

4. AGRICULTURE

Agriculture accounts for 46.6% of GNP and employs 72.1% of work force.

5. INDUSTRIAL GROWTH

Industrial output grew on average by 7% p.a. from 1970/76, and by about 4% p.a. from 1976-80.

Growth in 1980/81 may reach 8%.

6. FOREIGN INVESTMENT

UK investment is about £380 million, accounting for about 40% of the total. In the last 20 years, there have been over 5,700 collaboration agreements, some 1,250 of them with British companies.

7. INFLATION

In 1979/80, inflation was about 22%. It is currently running at about 15%.

About half of the rate of inflation is accounted for by the cost of imported oil.

8./

8. Population 684 million (1981 census).
 Growth rate 2.24% p.a., equivalent to approximately
 1 million per month.

9. Population density

India: 198 persons per square km
 (c.f. UK: 228 persons per square km)

10. Trade with UK

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
UK Exports (fob)	207	278	349	456	529
UK Imports (cif)	355	383	322	366	316
Crude balance	-148	-105	+ 27	+ 90	+213

11. India's Major Trading Partners
 (Fiscal Year 1978-79)

% share of India's exports		% share of India's imports	
U.S.	13.4	U.S.	11.1
Japan	10.4	Japan	8.3
UK	9.2	UK	8.6
USSR	7.2	USSR	6.9
W. Germany	4.8	W. Germany	0.2
Belgium	4.1	Iraq	8.6

(Source: Government of India Economic Survey, 1978-80)



CF. PPS

GR?

Foreign and Commonwealth Office

London SW1A 2AH

13 April 1981

Dear Michael,

Thank you for your letter of 3 April and the copy of a letter from Mr William Waldegrave MP to Clive Whitmore. Mr Waldegrave also wrote, on the same day and in exactly the same terms, to Lord Carrington; Mr Marten will be replying to that letter early next week.

Mr Marmion had previously sent a copy of his report to one of our ODA Medical Advisers at the end of January. The British Council in Delhi were apparently not sent a copy of his report in the first place, although it was they who commissioned it!

ODA has been interested for several years in contributing to the Government of India's National Programme for Prevention of Visual Impairment and Control of Blindness. Our Medical Advisers have discussed this many times with the Indian authorities and Professor Foulds of the Tennent Institute of Ophthalmology visited India on ODA's behalf for this purpose in 1979.

Last September, the Indian Director General of Health Services informed us that his Government already had sufficient funds, available from non-British sources, to finance the level of programme in this field which it would be possible to implement.

In view of this, and the fact that the actions recommended by Mr Marmion are for the Indians themselves to implement, we do not recommend this as a subject to be introduced by the Prime Minister during her visit to India. If the subject is broached by the Indians themselves, then Mrs Thatcher could refer to the past discussions we have had with Indian officials and say that, if the Government of India wished us to consider some assistance, we would naturally look at their request most sympathetically.

Yours ever
Rodney Lyne

(R M J Lyne)
Private Secretary

M O'D B Alexander Esq
10 Downing Street



From the Secretary of State

CONFIDENTIAL

Tim Jankester Esq
Private Secretary
10 Downing Street
London, SW1

Dear Tim

INDIA: FOLKLORIC TEXTILES

We spoke on the telephone this morning about the continued retention of a number of consignments of textiles from India which are claimed to be "folkloric".

The present incident has to be set against total imports last year of £3½ million worth of goods which are claimed as "folkloric". The value of the items now detained is about £75,000. At meetings with representatives of the Indian High Commission it has been accepted that about £10,000 worth are clearly not covered by the "folkloric" exemption from quotas. There is no written confirmation of this, but I do not expect that the Indians could go back on what they have said in meetings with representatives of this Department and Customs and Excise.

I must stress that it would be quite unprecedented for Ministers to seek to intervene with Customs and Excise in their application of the law to individual cases.

Yours sincerely,

Stuart Hampson

S HAMPSON
Private Secretary

CONFIDENTIAL

Prime Minister

The value of garments on which there is disagreement amounts to a mere £65,000.

It seems extraordinary that we cannot make some gesture in India's direction. But I am told that Mr Britton regards

13 April 1981

this as an important matter of principle - because of the textile lobby. I suggest you have a v. brief word with him in the margin of Cabinet/E tomorrow.

Folkloric 1978 17,000
1979 207,000
1980 883,000

(Customs think that £1 m worth out of £3½ m in 1980 was not folkloric (only £75,000 held) (20,000 pieces currently held - value £75,000))

CONFIDENTIAL



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~930782X~~ 218 2111/3

MO 25/3/4

13th April 1981

Lew Michael,

Thank you for your letter of 10th April enclosing a copy of the letter which the Prime Minister has received from the Chairman of British Aerospace about military sales to India.

We have no major comments on what Sir Austin has said, which complements the briefing we have already provided. Of the five subjects which Sir Austin lists, Jaguar, the Future Combat Aircraft requirement, Sea Harrier and Rapier are all covered in our brief. We do not recommend that Jaguar should be raised. In the case of both Rapier and Tornado there are security difficulties. These are explained in our brief, but it remains a fact that, while India maintains her current close links with the Soviet Union, we are not going to be able to release technology and equipment which is important to our own security. We can however be encouraging on the question of a future Light Combat Aircraft, and a positive line to take has been included in our brief. We have also provided a positive line on Sea Harrier. Finally, Sir Austin mentions the BAe 146. This is primarily a civil project, but we are keen to see it proceed. The question of financial assistance has not yet arisen; if it does BAe will need to discuss it with the Department of Industry.

Yours ever,

(D B OMAND)

M O'D B Alexander

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GRS 70
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FM DELHI 100609Z APR 81
TO IMMEDIATE FCO
TELEGRAM NUMBER 388 OF 10 APRIL

MY TELNO 372 OF 8 APRIL: PRIME MINISTER'S VISIT AND AFGHAN
REFUGEES

1. THE FRENCH EMBASSY HAVE NOW TOLD US THAT WAKMAN DID NOT SEE
PRESIDENT GISCARD DURING THE LATTER'S VISIT TO INDIA LAST JANUARY.
THEY ADDED THAT NO AFGHAN LEADER WAS SEEN BY GISCARD OR, FOR THAT
MATTER, BY ANY OTHER OFFICIAL FRENCH VISITOR SINCE.

EWANS
LIMITED
SAD
PS
PS/LPS
PS/MRBLAKER
PS/PUS
SIR J. GRAHAM
MR DONALD

COPIES TO
MR ALEXANDER,
NO 10 DOWNING ST

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The National Archives

LETTERCODE/SERIES <i>PREM 19</i>	Date and sign
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From the Secretary of State

T Lankester Esq
Private Secretary
10 Downing Street

Annie Austin
The Dept. of Trade, with the
British endorsement, remains
against any action on

Dear Jim

*I do hope we
have done everything
possible within our powers.
This material I have
heard your head
insistent it is.*

10 April 1981

PRIME MINISTER'S VISIT TO INDIA

Flash Thank you for your letter of 9 April.

It is not the Commission who are being difficult in this case - the matter arises substantially because of the Government's decision last September, in the face of heavy pressure from the textile industry, to strengthen our defences against quota evasion and fraud not only in relation to India.

The garments concerned were seized by Customs in late 1980 because they were incorrectly declared to be "folkloric" items, which do not count against import quotas. "Folkloric" is clearly defined (and indeed illustrated) in the Community's bilateral agreement with India under the MFA and there is little doubt that most, if not all, of the consignments were a deliberate attempt to evade quota restrictions.

We understand that although Customs have the powers to dispose of these goods in any way they please - including destruction - they have in fact in some cases made formal offers to importers that the goods may be released either for re-export under Customs control for sale outside the Community, or alternatively for sale in the UK on presentation of a valid import licence. Import licences are issued by this Department against an official export licence issued by the Indian Government and the goods would then, of course, count against the relevant quota in the normal way. Some importers have already taken advantage of the re-export facility. In other cases the offer has not been made. This is because the Commissioners of Customs and Excise are actively considering prosecuting the importers concerned for contravention of the import regulations.

My Secretary of State has considered the matter and feels it would be wrong to intervene in these cases. He feels that an instruction to Customs at this point to release goods seized quite legitimately would run totally counter to the Government's announced policy of combatting fraud in the textiles trade. (It might also give rise to legal difficulties for the Commissioners or lead to charges of maladministration, although the Commissioners have not had time to explore this in detail.)

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From the Secretary of State

This matter is not new. When it was raised with Mr Biffen during his visit to India in January arrangements were made and implemented for the immediate release of all garments which Customs could accept as being "folkloric". Since then discussions have continued with the Indians at working level in co-operation with technical experts from the Commission. Last month the Indian High Commissioner in London proposed to Mr Blaker that there should be talks between the Indians and our Customs people with a view to clarifying any remaining points of obscurity in the customs classifications relating to textiles. The Indians have been told that we accept this proposal and are ready to start talks when they are.

The arguments for and against exceptional action clearly range far wider than those relating purely to the maintenance of our textiles policy. My Secretary of State is of course aware of the importance of the Paradip project and is conscious of the general context in which this proposal has been put forward. Nonetheless he could not recommend overriding the normal procedures in this case.

I am copying this letter to John Wiggins (HM Treasury) and George Walden (FCO).

Yours sincerely,
Stuart Hampson

STUART HAMPSON
Private Secretary

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

10 April, 1981

Prime Minister's Visit to India

I enclose a copy of a letter which the Prime Minister has received from the Chairman of British Aerospace about military sales by that company to India. The Prime Minister has acknowledged Sir Austin Pearce's letter, and we will be including it in her briefing. If there are any comments you wish to make on the letter, it will be helpful to have them by close of play on Monday, 13 April.

I am sending a copy of this letter and its enclosure to Francis Richards (Foreign and Commonwealth Office).

M. O'D. B. ALEXANDER

B Norbury, Esq
Ministry of Defence

M



From the Secretary of State

Michael Alexander Esq
Private Secretary
10 Downing Street
London, SW1

Vanna.

Pp P.A's briefs.

Ann

10 April 1981

Dear Michael

PRIME MINISTER'S VISIT TO INDIA - TELECOMMUNICATIONS

The Prime Minister will have received a special brief prepared by British Telecom on System X from Eldon Griffiths: this is in fact the brief that we have asked the industry to prepare. We had, however, deliberately not highlighted this in the general briefing papers because we clearly wished the Prime Minister to focus attention on those projects and sectors (Steel Plant, Power Generation and Coal) where decisions by the Indians might be achieved during the visit. Other sectors, including telecommunications, while clearly offering considerable potential in the relatively near future, were rather less ready for immediate decision, and are thus being covered in the general Memorandum of Understanding on trade. Equally, the Departments concerned are in continuing touch with the companies, and we have indeed been present at presentations to the Indian authorities to underline the Government's interest.

- ... In view of Eldon Griffiths' approach, the attached note on System X and India has been prepared, which you may find it useful to put to the Prime Minister for background in the event of an opportunity arising when she could reinforce our technology and wish to co-operate in India.

I am copying this letter to the Private Secretaries to Kenneth Baker and Peter Blaker.

Yours sincerely

Catherine Capon.

CATHERINE CAPON



PRIME MINISTER'S VISIT TO INDIA

TELECOMMUNICATIONS

The recent decision of the Indian Authorities to introduce digital technology represents the largest single opportunity for System X, as India is the only major market which has yet to adopt any form of this technology. The UK companies are thus very interested in the market and have already established high level contact and given a full presentation of System X. The Indian Minister of Telecommunications, Mr C D Stephen, is also to visit the UK in May/June at the invitation of the Secretary of State for Industry. The successful introduction of System X in India would, of course, also have considerable value for marketing it elsewhere in the world.

2 The UK has a historical position by virtue of the Indian telecommunication system being largely based on existing UK systems, and reinforced by existing links with the Post Office and UK manufacturers. Fierce competition from overseas can however be expected as there are 14 other digital systems at present in service or being developed.

3 The Indian Government has issued or is about to issue several tenders, all of which are seen as major opportunities for the British telecommunications industry. Briefly, these are:

- (i) 60,000 lines of small rural exchange development valued at £14m for which Plessey, in conjunction with British Telecom, are bidding using the digital exchange system. Their offer of around £13.5m is one of the two lowest bids in the new digital technology. While bids on existing technology are up to 20% less than Plessey's, the competition's technology is obsolescent and offers poorer and more expensive performance. A decision is not expected for some time.
- (ii) 60,000 lines of medium-sized local exchange valued at approximately £20m.
- (iii) A proposal for the direct purchase of 200,000 lines of new generation digital equipment followed by a complete technology transfer. This is the most significant opportunity and represents some £60m of direct exports and transfer of technology valued at at least a further £50m. Proposals will need to cover collaboration in production and R & D. Although India intends eventually



to move to complete indigenous production this will take some time and the opportunities for UK manufacture will be considerable in the medium term.

4 Finally, it is very possible that in due course the UK will offer a comprehensive package to India for a complete range of collaboration and equipment in telecommunications and electronics as a whole. GEC have already indicated to us that they are very keen to play a leading role in such a package, but other companies such as Plessey are also strongly interested. The inclusion of the paragraph on telecommunications in the general MoU is aimed to provide added impetus for subsequent exchanges.

Department of Trade
10 April 1981



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON, SW1A 2HH
DIRECT LINE 01-217 4809
OR SWITCHBOARD 01-217 3000

Mr C A Whitmore
Principal Private Secretary
to the Prime Minister
10 Downing Street
London SW1

ccs on briefs

9 April 1981

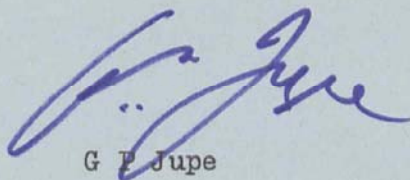
Dear Whitmore

PRIME MINISTER'S VISIT TO INDIA

I enclose a brief for this visit on the UK ban on the import of groundnut and cottonseed for animal feeding stuffs, a subject raised by the Indians when the Secretary of State for Trade visited India in January. The brief has been approved by my Minister.

Copies of this letter go to Miss Timms here, Lowrie (Department of Trade) and Dew and Edna Young (FCO).

Yours sincerely



G F Jupe



PRIME MINISTER'S VISIT TO INDIA 15 APRIL 1981

NOTE ON THE UK BAN ON IMPORT OF GROUNDNUT, COTTONSEED,
AND THEIR DERIVATIVES FOR USE AS ANIMAL FEED

1. On December 18 last year the MAFF published a report on mycotoxins in food in the UK prepared by scientists from Government Departments, academic research and industry. The report showed that mycotoxin contamination had been found in some milk and milk products and that the contamination had originated in the animal feed. It expressed concern, particularly because of the importance of milk in infant feeding.
2. Aflatoxin contamination may occur in many crops including maize and other cereals and soya; but the main source at present, and the reason for contamination in feedingstuffs at levels above the legal maximum (50 parts per billion) is aflatoxin in groundnut and cottonseed.
3. The Government therefore banned the import of groundnut and cottonseed for animal feed if they contained detectable levels of aflatoxin, with effect from 1 February 1981.

Indian interest and reaction

4. India's economic interest is small. The UK imported £45m worth of groundnut and cottonseed in 1980 of which India's share was only £2m.
5. However, she criticised the UK ban when the Secretary of State for Trade visited India in January on the grounds that it



2.

discriminates against countries in the third world and in favour of developed, temperate countries like the USA which produce alternative feed constituents such as soya, even though those alternatives may themselves become subject to aflatoxin contamination.

Points to make

6. (a) Human health especially where small children are concerned must obviously have precedence.
- (b) While other crops are potential sources of contamination, the present contamination comes in fact from groundnut and cottonseed.
- (c) There is no discrimination. It is simply a fact of geography and climate that most of the main producing countries are in the third world (but the USA is also a big producer and any groundnut from there would also be covered by the ban).
- (d) The Government are in consultation with the feedingstuff industry and are now trying to work out arrangements which will enable imports to be resumed but would also ensure that milk could not become contaminated. These arrangements must be enforceable in law and practicable for the industry. This is not an easy problem but work is continuing. [REDACTED]
- [REDACTED]
- (e) The real problem is mould growth leading to aflatoxin in the crop in the countries of origin. The Indian Government should themselves explore the possibilities of de-toxification and of improving crop storage conditions.

Emergencies & Food Standards Group
Ministry of Agriculture, Fisheries & Food
8 April 1981



Foreign and Commonwealth Office

London SW1A 2AH

9 April 1981

Dear Michael,

Prime Minister's Visit to India: Immigration

You asked us to supplement the briefing on immigration with facts about French and German immigration procedures and the numbers of British in India.

/ I enclose a note covering these points.

I am sending a copy to Stephen Boys-Smith in the Home Office.

yours truly
Roderic Lyne

R M J Lyne
Private Secretary

M O'D B Alexander Esq
10 Downing Street



French Immigration Procedures

1. Nationals of certain former French colonies in Africa are allowed to enter France on production of their identity cards. Thereafter, they are subject to control by a system of temporary permits. There is no provision to admit them for permanent settlement. The system relies on the issue of temporary permits valid for periods of 1 to 10 years. The permits are, in practice, easily renewed. We are unaware of any difficulty for holders of French passports wishing to enter France.

German Immigration Procedures

2. All West German passport holders are guaranteed the right of entry into West Germany under German basic law. Admission is also granted to other ethnic Germans from East Germany.

3. As in the United Kingdom there is control of foreign immigrants wishing to enter Germany for employment purposes. The Germans ended recruitment of foreign workers from outside the European Community in 1973. But the basic law contains provisions for granting asylum and a wide interpretation of this phrase has allowed many foreigners (especially Turks) to enter Germany when they would otherwise have encountered difficulty in getting entry as foreign workers. There are currently over 4 million foreign immigrants in Germany (1.5 million are Turkish). Wives and children may join workers who have been in Germany for more than 3 years. To aid integration permanent residence status has since 1979 been granted after 5 years residence in Germany (previously 8 years).

Indians in UK/British in India

4. Our estimate is that at present there are half a million Indians in Britain of whom 70% are UK citizens, 25% Indian citizens and 5% holders of other citizenship. It is estimated that there are currently about 45,000 British citizens in India. About 40,000 of these are Indian UK Passport Holders without right of abode in the UK. The number of British in India immediately prior to Independence in 1947 was approximately 100,000.

In India, subject to further consultation with the High Commissioner, the Prime Minister might say:

'I recognise that there is some concern about the situation of holders of UK passports in India. The United Kingdom's obligation to admit these people is firm and unchanged. It is not affected in any way by the terms of the Nationality Bill currently under discussion in the British Parliament. It is our intention to process in future a larger number of UKPH each year than we do at present. Since no new resources can be made available for this purpose, ~~This~~ ^{it} will be achieved within existing resources.'

In the United Kingdom we might say:

'It was decided during the Prime Minister's visit to India that in future a larger number of applications from United Kingdom passport holders in India would be processed each year than at present. This will be done within existing resources. The impact on total immigration figures will not be significant.'

L

IMMIGRATION FROM INDIA

SPEAKING NOTES

GENERAL POSITION

Line to take

A firmly applied immigration policy is important for good race relations in the United Kingdom. Successive governments have restricted primary immigration but the commitment to the wives and children of men settled in this country remains, as does the special voucher scheme for United Kingdom passport holders.

REFUSAL OF ENTRY AND ENTRY CLEARANCE

Line to take

It is not true that citizens of India visiting the United Kingdom are harrassed at ports. Nearly 200,000 Indian citizens were admitted last year; only 0.65% were refused entry. [The figures for refusal of entry vary considerably between countries; India is by no means the highest.]

Pressure to emigrate from certain countries is reflected in the numbers refused leave to enter. [The majority of Indian visitors are admitted to the United Kingdom without prior entry clearance, which is an optional facility for those who are in doubt about their eligibility to enter.]

MRS PATEL

Line to take

A visitor is required to satisfy the immigration officer or entry clearance officer that he or she is genuinely seeking entry for the period of the visit. Mrs Patel was not able to do this on this occasion. Nor did she seem to qualify to come here under any other head of the Immigration Rules. Her appeal to the independent appellate authorities is due to be heard on 27 May; this appeal must be allowed to take its course.

IMMIGRATION FROM INDIA

BACKGROUND BRIEFING

ADMISSIONS FROM INDIA

	<u>1979</u>	<u>1980</u>
Total admissions	180,000	190,000
of which the main categories were visitors	96,000	105,000
and returning residents	49,000	49,000
Admitted for settlement on arrival	3,100	2,300
Admitted for settlement on removal of conditions	6,190	5,680
Queue of those waiting for entry clearance in India	3,800	3,280

REFUSAL OF ENTRY

India	0.65%
Pakistan	1.2%
Canada	0.2%
Australia	0.2%
Turkey	2%
Algeria	4.8%
Morocco	2.8%
Nigeria	0.8%
Ghana	1.9%
Cyprus	1.1%

/MRS PATEL

MRS PATEL

Mrs Patel was unable to satisfy the immigration authorities that she wished to enter the United Kingdom only as a visitor for a limited period. She has appealed, as she is entitled to, against refusal of entry and her appeal is to be heard on 27 May. She is a widow aged 71. She has no claim to enter this country as a dependant because she receives a substantial income from a cinema she owns in India.

Searching Indian questions for Mrs Thatcher

By Lucy Hodges

When Mrs Margaret Thatcher, the Prime Minister, arrives in India today, she is likely to encounter protests about harassment of Asians at Heathrow Airport, virginity testing (now stopped) and the way in which families are kept apart by immigration controls.

Relations between Britain and India are at an all-time low point. Indian newspaper coverage of Britain concentrates on reports about racial incidents and the Nationality Bill. Some are hysterical, but they reflect a widespread feeling, based on what many people believe to be true.

When customs officers at Heathrow detained an Indian troupe for two hours last year, the *Hindustan Times* described the incident as scandalous.

"Perhaps without an empire and far-flung outposts to lord

over, the British have reverted to what they basically are—a small people with small minds inhabiting a small island in the Atlantic."

To what extent are these complaints justified, it is asked. The foregoing example does not seem that serious, on the face of it, but others are more worrying and help to explain the particular sensitivity of the Indian sub-continent at the moment.

It is difficult to avoid the conclusion that Asians wanting and entitled to come here are treated differently from whites. People from India and Pakistan are refused entry to Britain at a much higher rate than, say, North Americans or Scandinavians.

In 1979, 12 out of every 1,000 Pakistanis were denied entry and six out of every 1,000 Indians. This contrasts with a

figure of 0.2 for Canadian and Australian visitors (many more of whom were applying to visit this country).

In the same year 1,074 Indians were held at the Harmondsworth detention centre, compared with 16 Australians and 14 Canadians. Many are detained because they arrive without prior entry clearance, which is not officially required by Indian visitors and about which most white visitors have never heard.

However, if Asians try to get entry clearance in their own countries, it is not always easy. Mrs Kashiben Manibhai Patel, a widow of 71, who as a former Ugandan Asian is a citizen of the United Kingdom and colonies, has been refused entry clearance to visit her six children, 22 grandchildren and five great-grandchildren living here.

She applied to visit this country in August 1979 for her grand-daughter's wedding and was turned down on the grounds that she might stay here. The same thing happened again last year.

Mrs Thatcher is likely to be lobbied strongly about the special voucher scheme; former East African Asians, who are British passport holders, have to wait more than five and a half years to enter Britain because the quota for them is set at about 500 a year.

It is suspected that it is deliberately being kept low in India, but high in other parts of the world, such as East Africa, where few Asians remain. By reshuffling the quota to allow the 5,000 people waiting in India to come here, the Prime Minister could generate some much-needed good will.



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cc: Hunt
FCO

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10 DOWNING STREET

From the Private Secretary

9 April 1981

BF 10.4.81

Dear Stuart,

PRIME MINISTER'S VISIT TO INDIA

Your Department's brief on Bilateral Trade mentions the question of "folkloric" garments being detained by HM Customs. At this afternoon's briefing meeting - though after your Secretary of State and Sir Kenneth Clucas had left - the High Commissioner said that a concession on this issue could be of significance in helping to secure the Paradip steel contract.

The Prime Minister has asked that immediate consideration should be given to releasing the garments which are currently being detained before she leaves for India on Tuesday.

I understand that many of the garments are being detained because the European Commission have ruled that they are inadmissible. If it is impossible to move the Commission on this, would it at least be possible to arrange for those garments which the Commission have judged to be "folkloric" to be released?

I should be grateful if you could let me know in the course of tomorrow what action your Department proposes to take on this.

I am sending copies of this letter to John Wiggins (HM Treasury) and George Walden (FCO).

[Handwritten signature]

Tim Laker

Stuart Hampson Esq
Department of Trade.

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PS NO 10 DOWNING STREET

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FM ISLAMABAD 091000Z APR 81

TO PRIORITY FCO

TELEGRAM NUMBER 215 OF 9 APRIL

INFO ROUTINE NEW DELHI AND WASHINGTON

INFO SAVING MODUK, UKDEL NATO, KABUL, MOSCOW, UKREP BRUSSELS, PEKING AND JEDDA.

PAKISTAN CURRENT POLICIES

1. RECENT LETTERS FROM SIR J THOMSON SUGGEST THAT WHEN SHE IS IN INDIA NEXT WEEK THE PRIME MINISTER IS LIABLE TO BE FACED PRIVATELY AND PUBLICLY WITH QUESTIONS ABOUT PAKISTAN AND ITS RELATIONSHIP WITH WESTERNTRIES. IT MAY THEREFORE BE USEFUL TO ATTEMPT A SUMMARY OF THE PRESENT POSITION.
2. GENERAL ZIA CAME TO POWER IN 1977 TO PREVENT BLOODSHED AT A TIME OF POLITICAL TURMOIL, AND IN PARTICULAR TO STOP THE ARMY BEING ORDERED TO FIRE ON CIVILIANS. THIS IS STILL HIS PRIORITY. HIS ORIGINAL STATED HOPES FOR A SHORT INTERIM PERIOD OF MARTIAL LAW TO PREPARE THE WAY FOR A GENERAL ELECTION HAVE BEEN FRUSTRATED, HE ACCEPTS THAT HE HAS TO RULE THE COUNTRY AND TAKE MEDIUM TERM DECISIONS, WHILE TRYING TO WORK OUT A LONGER TERM SOLUTION. THE RECENT PROVISIONAL CONSTITUTION ORDER WAS DESIGNED (A) TO CONSOLIDATE THE MARTIAL LAW REGIME'S POWERS (IN PARTICULAR TO ESTABLISH THAT THE LEGALLY SANCTIONED ORDINANCES OF THE MARTIAL LAW REGIME DO INDEED APPLY, AS THE NAME SUGGESTS, WITHOUT BEING SUBJECT TO CONSTANT CHALLENGE THROUGH THE CIVIL COURTS, AND (B) TO PREPARE THE GROUND FOR A RETURN TO A LIMITED FORM OF DEMOCRACY. ZIA TOLD JOURNALISTS DURING YOUR VISIT THAT HE WAS TRYING TO RUN THE COUNTRY WITH MORE LIBERTIES THAN THERE WERE BEFORE HE TOOK OVER FROM BHUTTO. THIS IS NOT TRUE IN CONSTITUTIONAL TERMS, BUT THERE IS NONE OF THE POLITICAL INTIMIDATION AND VIOLENCE WHICH MARKED THE BHUTTO YEARS, AND INDIVIDUALS REMAIN REMARKABLY OUTSPOKEN. NOR IS THERE ANY SIGN OF SOLDIERS ON THE STREETS OF THE CITIES (APART FROM A DISCREET PARA- MILITARY RESERVE IF THERE ARE STUDENT OR RELIGIOUS PROTESTS IN DEFIANCE OF GOVERNMENT ORDERS).
3. SINCE PUBLICATION OF THE CONSTITUTION ORDER AND THE EXPANSION OF THE CABINET LAST MONTH THERE HAVE BEEN FURTHER SIGNS OF MOVES TO ALLOW SOME PARTIES TO RESUME POLITICAL ACTIVITY AND TO CREATE AN ELECTED ASSEMBLY OF SORTS. BUT THE FUNDAMENTAL PROBLEMS REMAIN. THERE IS NO PLACE FOR THE PPP IN THIS SCHEME OF THXZGS, AND YET IT WOULD OVERWHELMINGLY WIN AN OPEN GENERAL ELECTION. ZIA MUST BE CONCERNED THAT A WING OF THE PPP APPEARS TO HAVE GONE IN FOR TERRORISM (THE PIA HIJACKING, AND RELATED CLAIMS BY THE AL ZULFIQAR GROUP), ALTHOUGH THIS HAS ALLOWED HIM TO DETAIN NUMBERS OF HIS

CONFIDENTIAL / PRINCIPAL

PRINCIPAL POLITICAL OPPONENTS. (ON PAST FORM THE MAJORITY OF THESE WILL BE RELEASED BEFORE LONG). ZIA ALSO SEEMS QUIETLY TO HAVE FOUND REPLACEMENTS FOR THE JUDGES WHO REFUSED TO TAKE THE NEW OATH ON THE GROUNDS THAT THE CONSTITUTION ORDER PUT THE 1973 CONSTITUTION FORMALLY INTO ABEYANCE (AS IT HAS BEEN SINCE JULY 1977: THE ORDER DID NOT ABROGATE IT), PARTICULARLY ITS BASIC RIGHTS PROVISIONS. THE JUDGES HAVE NO ORGANIZED POLITICAL FOLLOWING, ANY MORE THAN THE OTHER GROUPS SUCH AS DOCTORS, JOURNALISTS AND LAWYERS WHOM ZIA HAD PREVIOUSLY ALIENATED.

4. STUDENT UNREST AND THE FREQUENT CLOSURE OF CAMPUSES MUST BE MORE WORRYING, THOUGH NOT UNUSUAL IN THE SUB-CONTINENT. HOWEVER, THERE IS NO SIGN OF POLITICAL UNREST AMONGST INDUSTRIAL LABOUR, (COMBINATIONS OF STUDENTS AND WORKERS HAVE PREVIOUSLY CONTRIBUTED TO THE DOWNFALL OF PAKISTAN'S REGIMES). PART OF ZIA'S INHERITANCE IS WEAKENED LABOUR LAWS AND HE MAY HAVE TO MOVE TO EASE THE BURDEN ON INDUSTRY BY MAKING "HIRING AND FIRING" EASIER. THIS COULD PROVOKE LABOUR DISTURBANCES. SO TOO COULD A RISE IN THE PRICE OF BASIC FOODSTUFFS DUE TO BE IMPLEMENTED IN MAY AS A CONSEQUENCE OF AGREEMENT WITH THE IMF THAT AGRICULTURAL SUBSIDIES SHOULD BE REDUCED.

5. HOWEVER, ZIA MOVES VERY CAUTIOUSLY AND HIS LUCK MAY HOLD. THERE ARE PROSPECTS OF MORE RECORD HARVESTS AND THE FLOW OF REMITTANCES FROM THE GULF AND EUROPE IS HOLDING UP WELL. UNLOVED THOUGH HE IS, ZIA MAY YET SUCCEED IN GIVING PAKISTAN THE FIRST 5 YEARS OF STABLE AND PROSPEROUS GOVERNMENT SINCE THE DAYS OF AYUB IN THE '50S. IF HERE WERE TO DROP DEAD OR BE ASSASSINATE ANOTHER GENERAL FROM THE COLLECTIVE LEADERSHIP WOULD ALMOST CERTAINLY SUCCEED HIM.

6. AS FOR HIS EXTERNAL POLICIES, IT WAS SIGNIFICANT THAT INDIA HARDLY FEATURED IN YOUR TALKS WITH EITHER ZIA OR AGA SHAHI LAST MONTH. THE PAKISTANIS' PRIORITY IS TO GET THEIR RELATIONSHIP WITH THE AMERICANS RIGHT. BUT THEY WILL NOT BE RUSHED, AND THEY DO NOT WANT TO LOSE THEIR POSITION IN THE ISLAMIC WORLD AND THE NON-ALIGNED MOVEMENT. THEY ARE DEEPLY PESSIMISTIC ABOUT THE PROSPECTS FOR AFGHANISTAN AND FOR IRAN. THEIR CONCERNS OVER SOVIET INTENTIONS IN BOTH COUNTRIES EXTEND TO THE RISKS FOR PAKISTAN. SOVIET-PRESSURE IN 1980 TOOK THE FORM OF AIR INCURSIONS AND OCCASIONAL ATTACKS ON PAKISTAN TERRITORY WHICH WERE HALTED DURING THE SOVIETS MOVES TO GET A DIALOGUE GOING AT THE END OF LAST YEAR AND SEEM NOT TO HAVE RESUMED. BUT THE AUTHORITIES ARE SURE THAT THE HAND OF THE RUSSIANS IS CLEARLY TO BE SEEN IN THE PIA HIJACKING AND OTHER RECENT ACTS OF TERRORISM IN PAKISTAN. AS ZIA TOLD THE PRESS DURING YOUR VISIT, PAKISTAN CAN DO NOTHING TO HELP THE RESISTANCE IN AFGHANISTAN UNLESS ITS OWN BASE IS GREATLY STRENGTHENED, BUT MEANWHILE THE BURDEN OF THE REFUGEES IS INCREASING RAPIDLY (MY TELNO 211) AND THE PROSPECTS OF SAUDI HELP ON A LARGE SCALE FOR EITHER CIVIL OR MILITARY PURPOSES IS SO SLOW COMING THAT THE PAKISTANIS SEEM TO BE DESPAIRING OF IT.

2
CONFIDENTIAL /Y. THE

7. THE NEGOTIATIONS WITH THE AMERICANS WHICH ARE DUE TO START WITH AGHA SHAHI'S VISIT TO WASHINGTON ON 20 APRIL WILL DOUBTLESS INCLUDE FURTHER REQUESTS FOR ARMS TO BE SOLD AT CONCESSIONAL RATES (WHICH THEY HAVE BEEN WARNED IS MOST UNLIKELY, AND WILL CERTAINLY NOT CORRESPOND TO WHAT THE PAKISTANIS SEE AS THE VERY EXTENSIVE AND CHEAP PURCHASES OF SOVIET EQUIPMENT FROM WHICH THE INDIANS ARE ALREADY BENEFITING. NOR WILL NEW ARMS BE AVAILABLE FOR 1-2 YEARS. PAKISTAN'S FORCES WHICH ARE ALREADY MUCH SMALLER THAN THOSE OF INDIA (A ROUGH YARDSTICK OF 1:2 IN THE ARMY, 1:3 IN THE AIR AND 1:3.5 AT SEA) ARE ALSO MUCH MORE POORLY EQUIPPED, EVEN BEFORE THE LATEST INDIAN PURCHASES FROM THE USSR AND THE WEST. PAKISTAN'S PURCHASES IN THE LAST 2 OR 3 YEARS HAVE BEEN AT THE RATE OF DOLLARS 50-60 MILLION A YEAR MOSTLY FOR SPARES, EXTRA QUANTITIES OF OR THE UPGRADING OF EXISTING EQUIPMENT, AND AN AIR DEFENCE WARNING SYSTEM. SOME TOW MISSILES HAVE BEEN BOUGHT, BUT THE AMERICANS HAVE PROVIDED NO NEW CAPABILITIES. THE CHINESE CONTRIBUTION IS HARDER TO QUANTIFY BUT THIS TOO CONTAINS NOTHING MODERN OR LARGE SCALE. DELIVERIES OF AN ORDER FOR 32 MIRAGES F 3/5 PLANES IN 1979 ARE DUE TO BEGIN LATER THIS YEAR OR EARLY IN 1982. FROM THE PAKISTANI DEVELOPMENT OF REBUILD AND OVERHAUL FACILITIES FOR THEIR T-59 TANK AND F6 MIRAGE AIRCRAFT IT COULD BE CONSIDERED THAT NO NEW LARGE SCALE ACQUISITIONS ARE AS YET EXPECTED.

8. AS SEEN FROM HERE THERE IS NOTHING FOR THE INDIANS TO FEAR, WHILE ONLY GOOD COULD COME FROM A REALIZATION THAT ZIA HAS, BY PAKISTAN'S STANDARDS, A REASONABLE SECURITY OF TENURE AND THAT USEFUL BUSINESS COULD BE CONDUCTED WITH HIM.

FCO PSE PASS SAVING MODUK, UKDEL NATO, KABUL, MOSCOW, UKREP BRUSSELS, PEKING AND JEDDA.

MASEFIELD

[REPEATED AS
REQUESTED]

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3

CONFIDENTIAL

9th April, 1981

Thank you so much for your letter of 9th April, together with its enclosure, which will be of real help to the Prime Minister in connection with her forthcoming visit to India.

Thank you so much for having taken the trouble to write as you did.

IAN GOW

Geoffrey Pattie, Esq. M.P.
House of Commons

From: Geoffrey Pattie, M.P.



House of Commons,
LONDON, SW1A 0AA.

9th April 1981

Dear Ian

In view of the PM's
forthcoming visit to India and
the duty I thought the enclosed
papers and copy letters would be
helpful background material.

Yours ever

A handwritten signature in blue ink, appearing to read 'Geoffrey Pattie', with a horizontal line underneath.



Future Military Sales and Development

Traditionally the British defence industries have been virtually captive to the requirements of the Ministry of Defence with any surplus production going to sales. With very few exceptions, if a product was not required by Her Majesty's forces it was not built. This tenet has become holy writ in the British aerospace industry but, because of the dearth of major projects in MOD, if industry is to survive in future it will have to adopt a new approach.

In the 'good old days' British industry largely satisfied the needs of the British services. Then rapidly increased complexity brought equally increased costs and collaborative partners were sought and found by governments. Collaborative projects have the merit of being virtually non cancellable but the 'long run lower unit costs' argument is illusory because of the increased costs caused by the paraphernalia of co-operation - duplicated assembly lines, management superstructure etc.

Now a new situation is emerging and in this the British services are so short of money that they must continue many current weapon systems in service. For the British military industry the lesson is clear. They must follow their civil counterparts in seeking world markets primarily and only secondarily seeking orders from Britain.

There is a further difficulty here, which is the diverging needs of leading air forces for highly sophisticated aircraft, in order to counter the threat, and the emerging nations who have a much simpler requirement. The fact that refurbished 30 year old Canberras find a ready market in the Third World tells its own story, but the central problem is that to design an aircraft simple enough and cheap enough to appeal to that market tends to rule it out for consideration by the RAF and similar air forces because it is not sophisticated enough to meet the Soviet threat.

This is where the possibility of a new form of collaboration comes in, going beyond the Panavia Group which.../



which produced Tornado for three countries.

The new form is to work with governments to develop an aircraft (largely funded by them) that will satisfy their needs and lead to production contracts and may, in turn, lead to further sales elsewhere and possibly even consideration by the home air force. The French are working this way with the Arabs and the only way we can stop them is to offer them a modern aircraft (such as Tornado) to look at and then discuss ways of developing something special (possibly using components such as the Tornado RB199 engine) for them.

There are many permutations using Tornado technology that can be played and these are rather different to directly selling Tornados to Saudi Arabia or whoever. In fact, given the development resources, a new aircraft in which the RAF would probably be interested, could fairly easily be produced but the burden of this case is that the money must be found as part of a sales/development package.

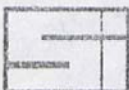
The two tier approach is reflected again in that countries such as India are very interested in developing a Light Combat Aircraft for themselves and also for sale and they are considering working with Sweden and British Aerospace. The market is the F5 which sold about 2,000 units. The Americans are developing a new F5G to replace the market but there is no reason why they should take it all if a competitor was in the field. Here again the aircraft would have to be simple, agile and cost effective. The RAF response will be to say that if such an aircraft has a ground attack capability with reasonable combat agility they would be very interested in it in the absence of anything else, and they now know that where AST403 is concerned there won't be anything else.

Air systems have been used as examples in this paper but there is no reason why the same case does not apply to frigates and tanks as well. If industry is to survive it will have to go after the markets and fit in MOD where it can. This may seem a revolutionary change but.../



but it is no more than a recognition of what is happening in the world. It will still be possible to make direct sales as in the old days but increasingly this new trend will emerge. The French have spotted it and are working hard to get their new aircraft developed in this way. We can beat them to it if we act decisively and in the knowledge that the defence sales scene is fundamentally changing.

G.E.P.
7.4.81



SMITHS INDUSTRIES LIMITED

RB
PAS

Marshal of the Royal Air Force, Sir Denis Spotwood,
GCB., CBE., DSO., FRAes.

Cricklewood, London NW2 6JN Telephone 01-452 3333 Telex 922981 Telegrams Esseye London Telex

30th March, 1981

G.E. Pattie, Esq. M.P.
Under Secretary of State (Royal Air Force)
Ministry of Defence,
Main Building,
Whitehall,
London, S.W.1.

Dear Geoffrey,

During my time in Bangalore last week, I had a long and interesting meeting with Dr. S.R. Vallurri. At present he is Head of the National Aeronautics Laboratory but is tipped widely to become the Chief Scientific Adviser to the Indian Government when Dr. Ramanna returns shortly to his activities in the nuclear field.

I have known Vallurri for some years and have found him always to be objective but happily with an innate liking for things and ways British.

Amongst a wide ranging discussion of mainly technical matters (in which the importance of the RB199 featured as one of notable importance) Vallurri took considerable pains to tell me that, in political circles in Delhi, it was being mooted that India was unwise to deal with the British (or the U.S.A.) for arms as she could be let down in a time of crisis - e.g. by a refusal to deliver spares in the event of U.K. political disapproval of Indian actions.

On the other hand, France would (his words) sell her mother without a thought and that therefore no such risk existed from that quarter.

Cont'd -2-

30th March, 1981

He went on to remind me that the Prime Minister was due to visit India in April and to make a forthright recommendation that she addressed this problem at the highest level during her visit.

Valluri did not hide his opinion of where the idea of our "unreliability" stemmed; but, nevertheless, indicated its grounds for substance based on the past.

Of course, there could well be times when we might dislike India's actions, or lack of them. However, it is obvious that, if we are to trade well, early consideration must be given to ways by which we can refute these innuendos that we shall always act as "nanny" to other Sovereign powers.

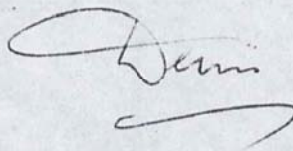
There is other evidence that Valluri's warning (and he termed it as such) is justified; and I hope that you will take due notice of it in advance of the Prime Minister's visit, for at least two reasons.

Firstly Vallurri, already a powerful voice, is likely to become even more influential in the aviation field. Secondly, you will know well that we face strong competition from the French, and some powerful Francophiles, in India.

I have mentioned much of the foregoing to the Deputy High Commissioner; but I believe you should know of it personally from me. Martin Ewing was given by H.A.L. additional views, as were some of us, on the Jaguar contract. No doubt, he will be reporting on these.

It was good to have you in India, albeit briefly from our viewpoint, and I hope you found your visit worthwhile.

As ever,





10 DOWNING STREET

PRIME MINISTER

You wrote to Eldon Griffiths saying that you would be happy to see Mr. Swraj Paul if you have time before your visit to India.

The only time I have available is on Tuesday itself, the day of departure, when you could see him after your meeting to discuss coal at say 1230.

Are you really prepared to commit yourself to yet another last minute meeting?

CS

9 April 1981

COMMITTEE ON INVISIBLE EXPORTS
7th Floor
The Stock Exchange
EC2N 1HH
Telephone 01-628 3161

THE DIRECTOR-GENERAL



8th April 1981

N. Sanders Esq.
Private Secretary to Prime Minister,
10 Downing Street,
LONDON S.W. 1

Dear Mr. Sanders,

India

You may recall that when the Prime Minister lunched with us in February, we spoke briefly of her visit to India. We also indicated that we would send a brief 'brief' about our invisible prospects there. We would be grateful, therefore, if you could ensure that she is aware of the enclosed background, since the support of the Indian Finance Minister for our proposals is still being sought.

Yours sincerely,

W.M. Clarke

INDIA

1. The prospects for invisible exports to India are rated good. While some areas are still restricted (because of local pressures or the inability to remit profits), others, such as banking (especially project finance and export credits), engineering consultancy etc. are opening up.
2. The moves towards liberalisation will to some extent depend on:
 - a) Whether substantial remittances from Indians working in the Middle East will continue.
 - b) Whether oil is discovered fast enough to relieve India's oil import burden.
3. Grindlays Bank is still the largest British (or foreign) bank, accounting for half of all foreign bank deposits in India. London merchant banks have also become extremely active, especially Morgan Grenfell, Kleinworts, Lazards, Hill Samuel, Barings etc.
4. The new Five Year Plan points to a marked need for capital, as well as to a stream of foreign-financed imports. These prospects should attract London-based banks, consultants, accountants and solicitors.
5. COIE is therefore planning a top level conference in Bombay as a follow up to recent official visible trade missions. The Indian High Commissioner has been discussing these COIE proposals with the Finance Minister, the Minister of Commerce and, possible, Cabinet member L.K. Jha in Delhi last weekend.
6. COIE's aim is to hold the conference in Bombay in February 1982 and to discuss UK and Indian financial and commercial relations in the early 1980's.

8th April 1981

Imperial Chemical Industries Limited

From
Sir Maurice Hodgson
Chairman

Imperial Chemical House
Millbank London SW1P 3JF
Telephone 01-834 4444

8th April 1981

C.A. Whitmore, Esq.,
Principal Private Secretary
to the Prime Minister,
10 Downing Street,
London SW1.

Dear Mr. Whitmore,

I was in India three weeks ago visiting our pharmaceuticals factory in Madras where there is a highly unsatisfactory situation. This factory was completed in 1978 at a cost of £4m. and provides basic manufacture of most of our newest and important pharmaceutical products. We have fulfilled every aspect of the Indian Government's conditions of approval but the Government has totally failed to fulfil its part of the Agreement which was to fix fair and remunerative prices. Every argument of delay and vacillation has been used by the Civil Servants over a period of nearly three years during which the project has lost about £1.4m.

This is such an outrageous response to the investment of £4m. and to the transfer to India of technology which has cost us tens of millions to develop that I wondered if it might possibly be worth drawing it to the Prime Minister's attention for her forthcoming visit. I can well understand, however, if this would be a matter too trivial for her to be concerned with, but I believe the principle of holding industry rigidly to its side of an Agreement whilst the Government of India totally fails to fulfil its own promises raises matters of principle which transcend even this major investment.

I can provide a brief (two page) resume, but before doing so I would welcome your advice as to whether this would be appropriate.

Yours sincerely,

Maurice Hodgson.



File 759

10 DOWNING STREET

THE PRIME MINISTER

8 April 1981

Dear Eldon,

Thank you for your letter of 6 April about my forthcoming visit to India. I read your comments on both the steel plant contract and System X with great interest.

My diary between now and my departure next Tuesday is horribly full but I would of course be interested to have a talk with Mr. Paul. I will ask Caroline Stephens to get in touch with him and you to see if something can be fitted in.

Yours ever,

(sgd) Margaret

Eldon Griffiths, Esq., M.P.

RB



Handwritten initials: P. P. S. J.

10 DOWNING STREET

THE PRIME MINISTER

8 April 1981

Dear Sir Austin,

Thank you so much for your letter of 7 April. The details of British Aerospace's interests and prospects in India will be extremely useful.

It is a most comprehensive account and I am very grateful.

Yours sincerely,

(sgd) Margaret Thatcher

Sir Austin Pearce, C.B.E.

It is a most comprehensive account and I am very grateful.

MT

Handwritten initials: A. B.

British Aerospace

PUBLIC LIMITED COMPANY

Brooklands Road
Weybridge
Surrey KT13 0SJ

From the Chairman,
SIR AUSTIN PEARCE, CBE

Telephone: Weybridge (0932) 45522
Telegrams: Britair Weybridge
Telex: 27111

The Rt Hon Margaret Thatcher, MP,
Prime Minister,
10 Downing Street,
London, S.W.1.

7th April, 1981.

Dear Prime Minister,

Your visit to India during April is clearly of great significance in determining the trend of future political and trade relationships between the two countries. Therefore, I thought it might be helpful for you to have some information on the substantial and long standing business interests of British Aerospace in India and future prospects. These were founded on purchases of Canberras and other aircraft and licence production of 748 and Gnat aircraft from the 1950's onwards.

Substantial indigenous airframe, engine and equipment manufacturing capability has been built up with assistance from Britain, Russia and France and there is some design and research capability, all concentrated in Hindustan Aeronautics Limited and the national research establishments.

As regards our current interests, the key issues are as follows. In view of the known sensitivities associated with these issues, you may not wish to raise them directly, but in case they are mentioned to you, you will be aware of our views.

1. JAGUAR

British Aerospace's primary business in India at present is the Jaguar project. The contractual agreements cover the loan of 18 RAF aircraft, the direct supply of 40 aircraft from BAe, the additional supply of 45 kits of aircraft parts for the build in India of 45 aircraft, together with the Licence granting the rights to manufacture the aircraft in India for supply to the Indian Air Force. The estimated value of these agreements is of the order of £500M and, in addition to these supplies, a large number of UK and French equipment suppliers have direct licence manufacture arrangements. Rolls-Royce are dealt with separately again and have a licence arrangement in respect of the supply of the -58 derivative of the Adour engine.

/The 18

The 18 ex-RAF aircraft have all been delivered and 3 of the direct supply aircraft. The full extent of the licence build programme beyond the first 45 aircraft has yet to be determined. We believe that another 30 plus aircraft are needed and a favourable and firm decision on this next phase as soon as possible is highly desirable for a number of reasons, not least because of the next issue.

2. FUTURE COMBAT AIRCRAFT REQUIREMENTS FOR THE INDIAN AIR FORCE

Although Russia supplies considerable numbers of aircraft, India also looks to Europe as a supplier and wishes to develop its own capacity for manufacture and design in partnership with Europe.

The French have persisted in their efforts to undermine the UK position by limitation of the Jaguar programme to the minimum number of aircraft and thereby to pave the way for early introduction of the Mirage 2000, including licence production at Hindustan Aeronautics.

The UK counter must be :

- 2.1 Seek to maximise the extent of the Jaguar programme which incidentally would yield a good practical return on investment for India in terms of their own operational and manufacturing capability.
- 2.2 Offer a forward look at Tornado to combat the 'high technology' attractions of the Mirage 2000, with supporting arguments that Tornado operational capability would best complement their Russian equipment.
- 2.3 Continue to encourage association with British Aerospace and Rolls-Royce on new military aircraft such as the Light Combat Aircraft.

We are aware of the security problems associated with Tornado and the Rolls-Royce RB 199 engine which may also be needed for the Light Combat Aircraft, but the French have no such inhibitions and their defence industrial base and their economy are thereby strengthened.

3. SEA HARRIER

We hope that in due course there will be an order for 6 or 8 Sea Harriers in addition to the 8 already on order, due to be delivered during 1983.

/4. RAPIER

4. RAPIER (See also Appendix A)

There is a requirement for a large number of surface-to-air missiles for both the Indian Army and Air Force. This could be met by the Rapier Blindfire system but again there is a security problem.

5. BAe 146 (See also Appendix B).

Indian Airlines is fully aware of the capabilities of the BAE 146 in relation to its re-equipment and route development programmes. We continue to maintain contact and expect the decision making process to start later this year and to extend into next year. There are indications that finance terms and possibly aid for the initial spares purchase may well become important issues. In this context, the US Government provided a soft loan for spares at the time the first 6 Boeing 737 aircraft were purchased and Indian Airlines now operate 20 Boeing 737 aircraft.

For information only, Appendix C describes a low key on-going activity on the 748 transport aircraft in India and Appendix D situation on Hawk.

Finally, you may wish to know that we have a number of staff, in some cases with their families, 2 at the Indian Air Force Jagaur base and 6 at Hindustan Aeronautics. There is also a headquarters group of 5 in New Delhi led by our Executive Director, Alan Keys, who is well known to the British High Commission.

Yours sincerely

Alan Keys

RAPIER

The major consideration from Dynamics Group at present is the great interest being shown by the Indian Air Force in RAPIER to meet their exacting requirements for quick reaction engagement against very low level targets. The Air Force believe that the BLINDFIRE capability is essential from the outset, to counter their day/night, all weather threat, and any procurement proposal without this feature would be unacceptable to their Ministry of Defence.

Because of security clearance problems we are prevented at this stage from providing any information on BLINDFIRE, and can make no comment on the question of supply. In the past, we were allowed to divulge secret information under a 1976 clearance, which was withdrawn in 1979. We have agreed with Defence Sales that any questions raised by the Indian authorities on BLINDFIRE will be deflected by us to the British High Commission.

We have approval to promote and supply the Optical version of RAPIER but it must be realised that our inability to provide the needed BLINDFIRE information must seriously prejudice the prospect of a successful RAPIER marketing activity in India. Initial supply of equipment from the United Kingdom could lead to a very considerable manufacturing involvement by Indian Defence Industries to meet large scale requirements from both the Air Force and the Army.

BAe 146

Indian Airlines, the domestic airline, operates a substantial fleet of jet airlines - A300 Airbuses and Boeing 737's - together with 21 50 - seat turbo-prop aircraft - BAe 748's and Dutch F.27's - on a extensive network of routes throughout the subcontinent. Incidentally, BAe make the wings for all the air buses and are 20% partners in Airbus Industrie.

The airline intends to replace the ageing turbo-props with jet aircraft. The plan is to commence this re-equipment programme in 1983 and the airline is currently evaluating suitable aircraft. There are two main contenders for this substantial potential order, which could ultimately be for as many as 20 aircraft. These are Fokker F.28 and the BAe 146.

The 146, benefitting from modern technology, is very competitive for India's demanding operating conditions where high temperatures, short runways and difficult terrain are commonplace: it's blend of performance, ruggedness and economy make it far more suitable for the country than its 20-year old Dutch rival. The 146 can carry its full complement of 86 passengers throughout virtually the whole of Indian Airlines' network, whereas the smaller F.28 suffers payload penalties on a number of routes.

The airline is fully aware of the capabilities of the 146 and plans to start its decision-making process in the Autumn of this year. BAe have been asked to make a comprehensive presentation of the 146 at that time.

There are indications that finance terms and possibly aid for the initial spares purchase may well become important issues. In this latter context the US Government provided a soft loan for spares at the time the first 6 Boeing 737 aircraft were purchased and Indian Airlines now operate twenty B737 aircraft.

748

In 1959 an agreement was signed with the Government of India permitting manufacture of the 748 under licence in India. Manufacture at Hindustan Aeronautics, Kanpur, still continues at a low rate.

India's present commitment to the 748 totals 89 aircraft of which 79 have already been delivered and 10 are in various stages of manufacture. The Indian Air Force have taken delivery of 55 aircraft with another 10 on order; 17 aircraft were delivered to Indian Airlines (of which 14 still remain in operation); 7 aircraft have been delivered to various Indian Government agencies. The Air Force machines are used in a variety of roles including VIP transport, training, troop transport, and notably, for general freighting and supply dropping in the Northern and Eastern border regions. Other government 748's are used for calibration and survey duties.

Since 1959 the amount of airframe manufacture undertaken at Kanpur has progressively increased to a point where approximately 80% of the airframe is manufactured in India with the balance being supplied in component form by BAe. The Dart engine is manufactured under licence from Rolls-Royce in India. Although certain proprietary equipment is manufactured under licence in India, most of the proprietary equipment for the 748 is still supplied direct from the UK.

In the recent past a development of the 748 incorporating the rear loading capability of the Andover CC Mk.1 was proposed to the Indian Air Force to meet its requirements for a rear loading tactical transport aircraft. This aircraft would have been built and developed at Kanpur with assistance from BAe. Unfortunately, at the end of 1980 the Indian Government selected the Russian AN.32 for this role. The intention is that manufacturing and assembly of the AN.32 will be introduced progressively into Kanpur and that 748 manufacture will cease.

There is, however, a desire within HAL to prolong the capability of manufacturing 748's at Kanpur and to this end BAe and HAL are jointly preparing proposals for the Indian Air Force, navy and Coastguard Service for the supply of 748's in coastal surveillance and/or anti-submarine roles. These combined requirements could represent approximately 20 aircraft although some consideration is being given to a limited surveillance capability which could be achieved by modifying existing Indian Air Force or Indian Airlines aircraft for the purpose. The support of HMG by way of permitting export of certain equipment for the anti-submarine version and general support in anti-submarine matters would enhance the achievement of these prospects.

HAWK

No real interest in the Hawk has been shown by the Indian Air Force, and there is no firm requirement for a new advanced trainer at present. Although the Hawk could be developed as a potential light attack fighter suitable for in-country build if present plans for a new light combat fighter are frustrated, it would be counter productive to pursue this line at present.

The Indian view is that it already has the capability to develop this type of aircraft.

BAe gave a presentation on the Hawk at an ABAC/UK aerospace seminar in Delhi and Bangalore in March, 1981.

7 April
1987.



HOUSE OF COMMONS
LONDON SW1A 0AA

P/S Prime Minister

This NOU was left out of my
letter to the Prime Minister about
India. Will you please attach.

Yours —

Edon Griffiths
EDON GRIFFITHS

File
Memory
"System X"

AIDE-MEMOIRE ON PRINCIPAL ADVANTAGES OF SYSTEM X

1. The System X development is led by British Telecom, one of the World's larger Administrations. Consequently the needs of the customer and the administration have been given proper weight in the design. This extends to the provision of support facilities such as common software development and maintenance facilities, documentation and data bases, maintenance aids and training courses. British Telecom's involvement gives any other purchaser a guarantee of future support.
2. Any one of the big three manufacturers will be able to supply System X and equipment brought from one will be fully interchangeable with that available from the other two manufacturers.
3. **SPEECH QUALITY:** The speech quality of calls routed wholly in a System X network is independent of the distance or number of exchanges involved in the call. Every call is the same as the best local call.
4. **RELIABILITY:** Because there are no mechanical wear problems loss of calls due to faulty operation of the equipment are virtually eliminated. As you saw, the Baynard House trunk exchange is averaging less than one call lost in 50,000. The equivalent figures for mechanical exchanges range from 500 to 1000 failures in 50,000 - depending on the state of the equipment. The improved reliability obviously reduces maintenance costs.
5. **SPACE:** System X occupies considerably less space than an equivalent mechanical exchange. The central digital switch is relatively insensitive in terms of cost and size to the calling rate of the customer. In a growing network the ability to pack more capacity into existing buildings in the centre of large cities is a real advantage.
6. **STATISTICS:** System X enables the Administration to collect statistics on the use and performance of the network so that additional equipment and cables can be brought into service before the onset of congestion problems affect customer services. It also gives great flexibility in the way billing information is collected and presented to the customer.
7. **FLEXIBILITY FOR FUTURE ENHANCEMENT:** System X is modular and computer controlled. It is therefore able to evolve both in terms of the technology it uses and the facilities it provides to the customer. The system itself employs digital switching and this, coupled with digital transmission and the extension of digital working into the customer network, will progressively provide a 64kbit/s end-to-end network for customers. Such a network can only emerge as exchanges across the Country are modernised and in consequence is critically dependent on BT's ability to invest in this network. This digital capability is likely to become increasingly important to future business users who wish to exploit computer technology in their offices (infomatics).

FROM: Eldon Griffiths M.P.



HOUSE OF COMMONS
LONDON SW1A 0AA

Wear Margaret

6th April, 1981.

Your Talks with Mrs. Gandhi

In addition to the exchanges you will be having about the Middle East, Afghanistan, the Reagan Administration and Russia, I expect you will spend some time on bilateral questions, including British trade with India. I have been keeping in close touch with some of the "jumbo" projects on which, I understand, detailed briefs have been prepared, and comment, if I may, as follows.

STEEL PLANT

The Germans are at present marginally ahead of Davy. Their latest package is a bit cheaper and has a number of technical advantages, as the Indians see it, but this long delayed decision is still open. Mrs. Gandhi's wishes will be decisive. If she indicates a preference for the contract to go to Britain, her advisers can be counted on to re-present the technical and financial data in a fashion which will show that Davy should get the order.

Davey's presentation has had a chequered career. Technically, they have done a good job. Financially, Lazard's produced a convincing, even elegant, credit package. British Ministers and our High Commissioner have used every opportunity to put on political pressure. Davey, however, have made some bad mistakes. Nor have they been helped by the Enserch takeover bid. They will also need to match the Germans on price if they are to recover their once favoured position.

Swraj Paul, to whom Davey, at my suggestion, has now turned for help, had a talk about all this with Mrs. Gandhi last week. She trusts him completely. Swraj thinks the Germans are most likely to get the order "unless Mrs. Thatcher goes to town on it". But he also thinks that your visit could still "swing it", depending on whether there is a "good atmosphere" and a "meeting of minds on other matters".

Rather than record on paper Swraj Paul's conversation with Mrs. Gandhi, I think it would be useful if you were to see him personally before you leave. He also has some useful insights on Mrs. Gandhi's views about Rapid Intervention Force etc.

Continued.



HOUSE OF COMMONS
LONDON SW1A 0AA

SYSTEM X

Kenneth Baker will have sent you a note about this. British Telecom and the companies associated in System X's development and marketing, have also produced a strong brief. The key to its sale in India is first to obtain the order for a relatively small (£12 million) rural exchange system, now on offer by Plessey's. This is technically compatible with System X and could open the door for the British Consortium to win the lion's share of the very much larger project to reequip India's obsolete urban exchanges.

Assuming a large share of local manufacture in India, which is an essential part of the package, this order could be worth several billion pounds for British industry over the 1980's and 1990's. If we get it, British technology will also be re-established after 20 years absence on the world-wide telecom market.

I have spoken about System X to Mr. Stefan, the Indian Minister of Telecommunications. Swraj Paul has great influence with him; but again it is Mrs. Gandhi's views which will determine what happens.

The French meanwhile have been active. Stefan has arranged to visit France in May to look at their competing system. Swraj Paul saw him two weeks ago and insisted that he come to Britain, as British Telecom and Plesseys have long been urging. Stefan has now agreed to this. I understand that John Thompson has given him a formal invitation.

In my view, it is unlikely that Stefan, a relatively weak man, will himself make any decision about System X, but if he believes that his Prime Minister favours a British connection, he could give the rural order to Plesseys and this would place the British Group in a stronger position for the System X order.

X The advantages of System X are set out, in brief, on the attached paper which I had prepared following a recent visit to B.T.'s research establishment at Martlesham (where I was accompanied by Swraj Paul). Since both Stefan and Mrs. Gandhi will listen to Swraj Paul, I think it would be useful for you to hear what he has to say about System X's prospects. May I bring him to see you for 15 minutes please?

I am copying this letter to John Biffen, Kenneth Baker and Peter Blaker.

Rt. Hon. Margaret Thatcher, M.P.
House of Commons,
LONDON, S.W.1.

X To follow



DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

PS/Secretary of State for Industry

M O B Alexander Esq
10 Downing Street
London SW1

3 April 1981

p/w my brief.

Dear Michael

... The British Steel Corporation have sent us some briefing notes about their interests in India which they have prepared for the Prime Minister's forthcoming visit. I understand that they were in touch with you and that you asked them to pass these notes through this Department, so that we could add our comments, if any. In fact we have none and I am therefore sending you two copies unchanged. I imagine that you do not intend to show them to the Prime Minister but it may be useful to have them in reserve in case something about BSC unexpectedly comes up.

Yours sincerely
Catherine Bell
CATHERINE BELL
Private Secretary

DIRECT STEEL EXPORTS TO INDIA

Over the two years 1978 and 1979 BSC sold to 'SAIL'*, India, steel products totalling some 380,000 tonnes and with a value of about £75 million. These sales were under-pinned by UK AID.

It is emphasised that these sales were made at world competitive price levels. However, UK AID gave the following advantages:

1. In SAIL's tendering procedure BSC was given the opportunity to match the price level of the lowest quotation submitted in reply to the first tender.
2. The scale of tendering allowed BSC to charter ships, sometimes at half the freight rate of the conventional shipping lines (eg £35 per tonne instead of £90).
3. The relationship between BSC and SAIL personally became even closer, and helped the early establishment (in January 1979) of BSC's Liaison Offices in Delhi, Bombay, Calcutta and Madras (assisting considerably in the promotion of sales).

Without UK AID since March 1979, BSC now faces a tendering procedure which plunges downwards in a Dutch Auction through re-tendering. Freight rates available are also relatively high vis-a-vis those of competitors.

Nevertheless, BSC has fought hard to sustain its sales momentum and to build on the personal relationships established over the past two years. Sales totalling some 110,000 tonnes (say £20 million) have been achieved in 1980/81. Currently a medium-term financial arrangement (in co-operation with Grindlay's Bank) has been presented to SAIL who are examining it with interest.

* SAIL - Steel Authority of India Limited (Indian Government owned equivalent of BSC and the central steel buying agency)

BSC (INTERNATIONAL) LTD. (BSCI) - has investments in three Indian companies:-

1. Stewarts and Lloyds of India in which BSCI's holding is 40% with 15% held by Tatas and the remainder by the Indian public. It is a public quoted company. From a base in Calcutta and other bases elsewhere, it operates a pipework engineering fabrication and construction business throughout India and has a high reputation. Recently the Pipework Engineering Development Section of BSC Tubes Division in the UK secured a major order for pipework for a new power station jointly with Stewarts & Lloyds. Prospects for further collaboration of this kind remain good and it is BSCI's intention to retain its shareholding in this company.
2. The Indian Tube Company was the first steel tubemaker in India and is still the leader in the field. Tata Iron and Steel Company is the major shareholder with 49% and BSCI's holding is 40%. Its works are at Jamshedpur adjacent to the Tata Iron and Steel Company, from whom it draws all its steel. The partnership has been a happy and successful one. The Company now needs much less technical help and the trading relationship has virtually disappeared. Because of BSC's need for cash, it has been decided to sell out and BSCI is now in negotiations with Tatas who wish to buy its 40% holding.
3. Iisco Stanton Pipe & Foundry Company in which the majority shareholder is The Indian Iron and Steel Company which, until a few years ago, was in the private sector but is now owned by the Steel Authority of India. BSCI owns one third of the equity. Iisco Stanton makes spun iron pipes based on know-how contributed by BSC. During the last five years results have been mixed due to market conditions and also to shortages of raw materials and power. Currently there is a full order book and commercial prospects are good, limited only by some continuing shortages. However there is no close trading link between BSC and this Company and it is felt that the money invested in the Company could be better utilised by BSC elsewhere. SAIL have indicated their wish to buy BSCI's holding and negotiations for the sale have started.

Having taken the decision to disinvest in The Indian Tube Company and IISCO Stanton Pipe & Foundry Company, it is important to BSC that the proceeds of the sale are remitted to the UK promptly and in each case in one instalment. The total sum of money involved in the two BSC investments is of the order of £4 million.

It should be impressed on the Indian Authorities that, if they are looking for overseas investments in India, it must be shown that such investments can be speedily realised and the proceeds promptly repatriated should it be decided at some future date to disinvest.

BRITISH STEEL CORPORATION (OVERSEAS SERVICES) LTD. - BSCOS - has just presented its final report on a major 10 months study of Durgapur Steel Plant, paid for by ODA. Durgapur Steel Plant was built by a consortium of British companies in the late 1950's at the same time as similar plants were constructed by the Germans and the Russians. The original capacity of Durgapur was about 1.2 million tons per year, but the capacity was reputedly increased to 1.6 million tons by the Indians in the mid 1960's. Since then the plant has failed to achieve its nominal capacity (maximum production having been 1.1 million tons p.a.) and has gained a bad reputation for non-performance which reflects unfavourably on the British image.

The most significant conclusions of the study just completed are that :-

- (a) the true capacity of Durgapur at the present time is 1.15 million tons and hence its performance has been much better than has been supposed;
- (b) there is a strong economic case for modernisation of Durgapur and for expansion to about 2.0 million tons, which can be phased over a period of years (the capital cost of increasing the capacity of Durgapur would be about 60% of the cost of equivalent capacity on a greenfield site, excluding infrastructure costs).

With the other major developments currently under consideration for the Indian steel industry, there is a possibility that the funds for modernisation will not be made available to Durgapur and hence the British reputation will suffer further as the plant continues to deteriorate.

BSCOS is also strongly supporting Davy in bidding for the second new coastal steelworks now being considered by the Indian Government and will provide operational and training support to Davy in its contract with Tata at Jamshedpur.

A contract for training of Indian personnel is under discussion with the Bokaro steelplant of SAIL and there are a number of offers for technical assistance with independent steel producers.

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10 DOWNING STREET

From the Private Secretary

3 April 1981

Ken Stephen,

Prime Minister's Visit to India:
UK Passport Holders

As you know, the Prime Minister held a further meeting here this morning to discuss the Home Secretary's minute of 30 March and the Lord Privy Seal's minute, undated, commenting on it. The Lord Privy Seal and the Minister of State at the Home Office were present.

The Prime Minister reiterated her concern about the impact in this country of a decision to increase the voucher quota for UKPH in India. It was argued that since there would be no increase in the overall quota for UKPH and that since any increase in the number of UKPH arrivals in this country would be matched at least in part by a decrease in the arrival of other dependents, the impact need not be severe. It was also suggested that a gesture on the quota might have a significant effect on the prospects for our winning one or other of the major contracts currently under negotiation with the Indians.

At the end of the discussion it was recognised that while an increase in the quota from 600 to 900 could be envisaged, there was a major problem about the presentation of such a decision. While the Indian Government would only be told that a "significant" increase had been decided upon, they would certainly wish to give this publicity. The effects

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of such publicity in this country would be considerable. Attempts to offset them by pointing to the diminution in the number of dependent arrivals would be resented in India.

The Prime Minister agreed an attempt should be made to produce a draft telegram of instructions to the High Commissioner in Delhi, together with draft "lines to take" for use in India and in this country, in order to see whether the difficulties which had been identified could be resolved. When the texts were subsequently submitted to her, the Prime Minister decided that she would prefer not to carry the matter any further for the moment. She will consider in the days ahead how the matter should be dealt with when she meets Mrs. Gandhi.

I am sending copies of this letter to John Halliday (Home Office) and David Wright (Cabinet Office).

Yours ever

Michael Alexander

Stephen Gomersall, Esq.,
Foreign and Commonwealth Office.

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FILE

VLB

Mr. WALDEGRAVE
(Cataract Camps)

9/4

3 April 1981

Chase? *9/4* Yes please

I enclose, together with its attachment, a copy of a letter which Clive Whitmore has received from William Waldegrave, M.P. I should be grateful for advice as to whether there is anything that the Prime Minister could or should do to support the Cataract Camps during her visit.

I am sending a copy of this letter and its enclosures to Don Brereton (Department of Health and Social Security).

MICHAEL ALEXANDER

Francis Richards, Esq.,
Foreign and Commonwealth Office.

PA

FILE

3 April 1981

I am replying on Clive Whitmore's behalf to your letter to him of 31 March. I have brought Mr. Marmion's letter to the attention of those primarily concerned and will ensure that it figures in the briefing for the Prime Minister's visit.

MICHAEL ALEXANDER

William Waldegrave, Esq., M.P.

PK

Ref. A04621

MR. ALEXANDER

I sent you a copy of my letter of 6th March to Sir Michael Palliser about

Sir David Orr's suggestion that he and the Chairman of Hindustan Lever should come and brief the Prime Minister about his company's particular problems in India and about Indian industry in general, before her visit there later in the month.

2. You will have seen the letters which Sir Michael Palliser and Sir Kenneth Clucas have sent me on the subject. They do not press the Prime Minister to see Sir David Orr, and they doubt whether the problems which Hindustan Lever are having in India warrant discussion at Prime Minister level. The Prime Minister has plenty on her plate before the visit, and I am sure that she will be reluctant to add to it. If she would rather not see Sir David Orr, I will say to him that she was grateful for the offer, is sorry that the congestion of her diary makes it impossible for her to take advantage of it, has noted carefully what he has said in his letter, and can assure him that the High Commissioner will continue to give as much help as he can.

3. But it is just possible that the Prime Minister might like to find half an hour to hear what Sir David Orr has to say. No doubt it would be interesting background to the visit, quite apart from Hindustan Lever's particular problems.

REA

ROBERT ARMSTRONG

3rd April, 1981

See CS to PM 6/4/81

He is a good friend - will see him weekly. ^{not}

Prime Minister.

Your diary is very full next week. I doubt whether a meeting with Sir D. Orr would be a very sensible use of your time. (You have already met Mr Thomas of Unilever at the High Commissioner's party. You will not be able to visit Unilever in India). Regret? ^{PM's 3/4}

(1)



10 DOWNING STREET

From the Private Secretary

2 April 1981

Prime Minister's visit to India

As I mentioned to you on the telephone, the Prime Minister has decided that it would be helpful if Sir Ronald Ellis, Head of Defence Sales, could accompany her on her visit to India and the Gulf later this month. I understand that there should be no difficulty about this.

I am sending copies of this letter to Francis Richards (Foreign and Commonwealth Office) and David Wright (Cabinet Office).

M. O'D. B. ALEXANDER

Brian Norbury, Esq.,
Ministry of Defence.

A handwritten signature, possibly 'R', in blue ink.

9i
Ref. A04610

MR ALEXANDER *Sean*

Sir Frank Cooper has been in touch, to support the question that someone from Defence Sales should go with the Prime Minister to India and the Middle East later in the month. Both areas are important to our defence exporters; and for the Prime Minister to be accompanied in this way would be consistent with the suggestion in OD that Ministers going abroad should take someone from Defence Sales when there are significant interests or prospects at stake in the visit. Sir Frank Cooper says that the Ministry of Defence could arrange for Sir Ronald Ellis, Head of Defence Sales, to accompany the party. I should have thought that this was an admirable idea and I should like to commend it to the Prime Minister.

RA
ROBERT ARMSTRONG

2 April 1981

8 CHESTER STREET LONDON SW1
TEL: 584 9273 TELEX: 28666

Top Copy with
Ian Gow.

Re bow again.

Ian Gow Esq., MP,
10 Downing Street,
LONDON SW 1.

Rather a good piece.

Very.

Think
- 3/4

2 April 1980.

Dear Ian

Herewith a short note for the Prime Minister,
following my trip to India.

I hope she finds it helpful.

I look forward to seeing you in May.

Yours Sincerely,

David

David Hart.

This note offers a personal vision of the philosophical background to Indian politics, a brief description of Mrs Ghandi's current approach to her problems, a view of the likely attitude she will take on some aspects of British policy.

India is a feudal society of many nations and many languages. Although it exports grain and rice to the Soviet Union, Vietnam and Kampuchea many starve. The North Eastern States, Assam, Maghalaya, Manipur, Mizoran, Gujarat are all more or less out of control. Agrarian unrest is widespread as farmers try to win the political power their economic importance deserves. Although the central government in theory has the means and the men (one million in arms) to put down any unrest, somehow it never will. In Uttar Pradesh, two brothers who hijacked an Indian Airlines aircraft are now members of the State Assembly because they were friends of Sanjay Ghandi. In parts of Rajasthan, armed bandits, called dacoits, hold sway and the press reports of the inevitable shoot-outs with the local police are described in terms of The American Wild West. Only two and one half million out of nearly seven hundred million Indians pay income tax.

The State imposes controls on prices, imports, exports and owns large sectors of industry. The bureaucracy is large, venal, inefficient. It attempts to influence every aspect of life and yet, somehow, has very little influence except to delay everything. The government in Delhi appears, outwardly, like any other government and yet, somehow, has very little power to change people's lives. This is not to say that Indian leaders cannot change people's hearts and minds. They can and do. The Union Parliament, which is frequently given to eruptions of violence, passes many acts that are quite unenforceable, for example, banning dowries, child marriage, discrimination against untouchables.

In a peculiar way Indians have never quite grown up. They have an endearing, childlike quality, as though they had retained a small part of the innocence of Eden.

This innocence is bound up with their belief in the Hindu concept of Karma. To understand the motivation of Indian politicians it is necessary to understand Karma. Christian and Moslem societies have concepts of absolute good and evil, enabling members of those societies to measure each action they take on a clear scale of values. Most of the time Westerners have little doubt about the morality of their actions. No such scale exists for Indians who, when they do have such a yardstick imposed on them, ask such questions as, how much good, how much evil, how much good for me, how much good for third parties, how do I calculate how much good, etc.

Karma holds, broadly, that whatever action one takes it is the incalculable consequence of an infinite number of one's own and others' previous actions and has an infinite and incalculable effect on one's own and others' future, either in this life or in the next

reincarnation. What Westerners would term a 'bad' act is a debt Indians feel they are quite at liberty to incur should they wish. After death, Karma still operates and influences reincarnation. Salvation is seen as an escape from the endless wheel of Karma into a state beyond living and dying.

Karma provides the foundations for the Indian mental map of the world. It enables educated and uneducated alike to accept extreme inequalities without doubting the existence of justice, and without losing hope for the future.

Because Karma is all pervading, Indians spend far more time considering things spiritual than Westerners. This produces a large number and variety of holy men called, variously, gurus (teachers), sadhus (those who have renounced the material world), tantrics (those who study tantra) and others. They appear at all levels of Indian life.

Many Indian holy men are frauds and make extravagant claims including claiming responsibility for Mrs Gandhi's victory. The press reports many of these claims and by so doing gives them spurious authority. The grander frauds even have booklets printed containing photographs of themselves with famous men, Ministers, foreign dignitaries, etc. which they hand out to those they wish to impress. Politicians do very little to stop this, especially if the holy man is a tantric. They fear their supposed occult powers.

You will no doubt be surprised to learn that you have a Tantric advisor, one Chandraswamy, who announced in Onlooker (November 16-30 1980) under the headline - Even Margaret Thatcher Consults Me - and the sub headline - Tantra for Thatcher- that you have asked him for advice. He did not further illuminate this statement. Tantra is a Hindu discipline that aims to achieve spiritual enlightenment through physical ecstasy.

Every one in India is affected by the highly charged spiritual atmosphere, including Mrs Gandhi. At a recent cabinet meeting it was reported that she opened proceedings by citing the opinions of astrologers concerning the coming monsoon and instructed Ministers to take action accordingly. The Minister of the Railways doubles as Minister for Religious and Astrological affairs. (He has issued many free railway passes to holy men.) Mrs. Gandhi will do very little without consulting astrologers and as the LSE trained, Fabian influenced socialist advisors of her father have faded away, she has begun to consult holy men more and more, to prefer oracular advisors, to offer poojahs (small ceremonial acts of worship) to suitable deities whenever she can. These activities are a reflection of her belief in magic and a sign of her utter lack of any ideological conviction.

Not only does Karma produce a different attitude to things spiritual; because it makes no attempt to ban

evil it throws up an entirely different morality. Mrs Gandhi sees no corruption in allowing her party to obtain its finance by selling official favours to powerful interest groups, including the Soviet Union. Since the banning of overt contributions to political parties by companies in 1967, these funds are paid in black money and thus ensure the continuation of a huge black economy, probably the reason for India's relative economic success and now vital to India's economic survival.

Karma also changes the laws of contrast. Most Indians see absolutely no inconsistency in pursuing careers that rely on empirical reasoning for their results - medicine, science - and at the same time believing in magic. A leading bio-physicist is also a well known astrologer; a well known industrialist of the Weinstock class calls himself a futurologist and writes books predicting the future from entrails and grounds.

You will find Mrs Gandhi a lonely, chastened woman. She has lost her best loved son; she lost an election which hurt her pride greatly; she is losing her old friends. Her only solace is an increasing belief in, and reliance on, magic and a continuing exercise of power which she now does so successfully that an 'Emergency' is not considered at all likely because it is thought unnecessary.

You will find her impossible to detach from the Soviet Union even though many Foreign Service Officers find the Soviets too patronising and would like to see a realignment. This will have to wait for her retirement. It will then come because the Indian people do not like or have any natural sympathy for the Soviets. Although she is very angry that Brezhnev did not keep his word to her after his last visit and make some genuine withdrawal of troops from Afghanistan, and embarrassed vis-a-vis the non aligned countries because she has been shown up for a dupe, she sees her and India's future as Soviet orientated. She does not trust the West and feels she can manipulate the Soviet Union.

If you want to do business with her you could offer her a medium term oil supply contract, something India, like many others, is very neurotic about and very keen to get - a modest amount would do, say two million tonnes per annum. This would probably not be for delivery but swop. In return you might be able to persuade her to manufacture Jaguar after all. This has been shot down by a huge French effort to discredit Jaguar in favour of Mirage. Your ally in any such negotiation would be the Indian Armed Forces who are very pro British and remain the proud guardians of their vision of the Raj ethic. The collapse of the Jaguar deal is thought to have been engineered by Sanjay Gandhi in return for huge bribes from the French. His death could have removed the obstacle.

Mrs Gandhi and many Indians are very touchy about the Nationality Bill and about what they see as officially encouraged racism in Britain. They have an

emotional and entirely irrational attitude to this subject. She will quite likely want to be seen by the Indian public to be taking a strong line with you on this.

There is a great reservoir of friendship for Britain in India. It was expressed during Prince Charles' visit. Indians have very strong cultural links with the British which transcend Mrs Gandhi and will outlive her. They are not afraid to acknowledge their cultural debt to Britain and feel more distressed when Britain behaves badly in their eyes - Nationality Bill, treatment of Indian visitors by UK Customs Officers - than they would if any other country behaved in the same way. This sort of family feeling for Britain can be a positive force for improved relations and increasing influence.

It would be a good idea to see some of the opposition leaders, certainly Vaipayee, and his Foreign Affairs spokesman, Jaswant Singh. Both are pro Western and likely to influence events post Mrs Gandhi.

Despite terrible poverty, extraordinary inertia, violence, vulnerability to the weather, lack of communications, belief in magic and addiction to gambling, Indians are improving their material condition and have a spiritual framework that makes it possible for them to live together in a civilised way. They do not have the same spiritual doubts many do in the West.

Mahatma Gandhi: 'In the midst of destruction, I see that life goes on. I therefore conclude that there is a higher law than the law of destruction.' It is impossible to contemplate India's struggle against what appear to be overwhelming odds without being forcibly reminded of the marvellous indomitability of the human spirit.

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GRS 298

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FM FC0 021610Z APR 81
TO IMMEDIATE NEW DELHI
TELEGRAM NUMBER 256 OF 2 APRIL

ls
Paul

PRIME MINISTER'S VISIT TO INDIA

1. FOLLOWING IS THE OUTCOME OF THE INTER-DEPARTMENTAL MEETING ON 1 APRIL.

STEEL

2. EGC MEETS TODAY TO CONSIDER FINANCIAL PACKAGES ON BOTH STEEL AND POWER.

COAL

3. WE STILL AWAIT KHOSLA'S REVISED DRAFT OF COAL MOU. PLEASE PRESS HARD AS TIME IS SHORT. WE ARE CONSIDERING A DRAFT FORM OF WORDS ON THE COAL SECTOR GRANT, AND HOPE TO LET YOU HAVE THIS BY THE END OF THE WEEK. ON DANKUNI, CREDA 2 TO CALCUTTA REFERS. GRATEFUL IF YOU WOULD DRAFT PRESS RELEASE BOTH ON DANKUNI AND ON THE THIRD AND FOURTH WALKING DRAGLINES.

POWER

4. DOT AIM TO TELEGRABH A REVISED FINANCIAL PACKAGE BY THE END OF THIS WEEK. ON QUALITY ASSURANCE LABORATORY, BEIL REVISED PROPOSALS EXPECTED TODAY.

SPACE MOU

5. ACTION IN HAND ON YOUR TELNO 301.

SCIENCE AND TECHNOLOGY MOU

6. ACTION WITH YOU.

OTHER SECTORS MOU

7. DOT WILL TELEGRAPH SEPARATELY.

DEFENCE SALES

8. LAPADS ISSUE HAS BEEN TO CHIEFS OF STAFF COMMITTEE AND NOW GOES TO MINISTERS. WESTLANDS HAVE BEEN ASKED FOR A REVISED OFFER IN THE NEXT TWO WEEKS. IT NOW SEEMS UNLIKELY THAT WE CAN

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/ACHIEVE

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4669 - 1

ACHIEVE AN AGREEMENT ON SEA KINGS BY THE TIME OF THE VISIT.
BURMAH OIL

9. GRATEFUL FOR FURTHER DETAILS ON LATEST INDIAN POSITION:
YOUR TELNO 295 PARAGRAPH 10 REFERS.

DOUBLE TAXATION AGREEMENT

10. ACTION WITH YOU. OUR TELEGRAM 247 REFERS.

INDIVIDUAL REMITTANCES

11. ACTION WITH YOU.

UKPH QUOTA

12. NO FURTHER DEVELOPMENTS.

INDIAN EXPORTS

13. DOT WILL TELEGRAPH SEPARATELY.

FERTILISERS

14. THERE IS A GOOD PROSPECT OF A MINISTERIAL DECISION IN
TIME ON THAT FOR THE PRIME MINISTER'S VISIT.

GENERAL

15. WE ARE DROPPING THE FOLLOWING ITEMS FROM THIS LIST:
TELECOMMUNICATIONS, PORT DEVELOPMENT, TRANSFER OF TECHNOLOGY,
TOWN TWINNING, AND FINANCIAL PACKAGE.

CARRINGTON

LIMITED

SAD

PS

PS/LPS

PS/MR BLAKER

PS/PUS

SIR J GRAHAM

MR DONALD

ADDITIONAL DIST:

INDIA/PAKISTAN DEFENCE SALES
INDIA/PAKISTAN TRADE

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MR ALEXANDER, NO 10 D.S.

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DEPENDENTS FROM INDIA

	<u>Nos. accepted for settlement on arrival as dependents</u>	<u>Female Fiancées</u>	<u>Total</u>
1978	3140	2250	5390
1979	2800	2300	5100
1980 (Est.)	2100	1300	3400

There is no distinction made between dependents of UKPH and of others.

DEPENDENTS FROM INDIA

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PRIME MINISTER

Further information required

- ① UK PH consist of heads of households + dependants. Surely we do not admit any new voucher holders now - only dependants of past voucher holders.

Your Visit to India : UK Passport Holders

- ② How many dependants per year

I attach further minutes on this subject from the Home Secretary and the Lord Privy Seal.

Flag A

Flag B

India
not

I am, of course, well aware of your doubts about the wisdom of making a gesture to the Indian Government on the voucher quota for UK PH. Nonetheless it seems to me that the case for considering a gesture merits very careful consideration.

It is, I think, common ground that a gesture would significantly improve the atmosphere for your visit and might well tip the balance on one or other of the contracts under discussion. An important meeting of the Indian Cabinet is due to take place on 6 April. It is also common ground that there should be no increase in the global quota for UK Passport Holders. You nonetheless believe that the domestic repercussions of any gesture could well outweigh, and certainly outlast, the economic benefits of a gesture.

As regards the short-term repercussions, the Foreign Office now believe that there is no need to announce anything before you reach India. They believe that it will suffice for the High Commissioner to tell Mrs. Gandhi's son that it is your intention to tell Mrs. Gandhi that you will be increasing the quota. Sir J. Thomson would emphasise that this must not become public knowledge before your arrival.

As regards the longer term, the Foreign Office believe that matters can be so arranged that an increase in the UK PH quota will not result in a significant increase in the annual rate of total immigration from India. They believe it would be possible to make this public and that the proposal that those who are already holders of UK passports should be given priority is defensible. The Home Secretary also points out that if the quota were increased - whether to 800 or to 1200 - this would not necessarily mean that this year's

/settlement

settlement figures would be higher than last year's. In recent years the figures of those coming from the Sub-Continent have been falling.

If you feel encouraged by the foregoing ^{to accept} ~~except~~ that on balance you would be justified in informing the Indian Government in advance of your arrival of a prospective increase in the quota, there remains the question of the size of that increase. The Home Secretary would still prefer to limit the increase to a modest step from 600 to 800. The Foreign and Commonwealth Secretary would, as you know, prefer to move from 600 to 1200. You may think that, since the figures will in any case never be published, it might be reasonable to move from 600 to 1000.

Given that the critical meeting of the Indian Cabinet is on 6 April and that if we are to say anything in advance we need to say it soon, you will need to take a decision almost immediately as to how to proceed.

Ant

1 April 1981

1st April, 1981

Philwin Limited - Computer
Applications in India

Thank you for your letter of 31st March, with which you enclosed an original letter of the previous date, which you had received from Mr. H.J. Langley, who is a Director of Advanced Computer Services.

I am grateful to you and to Mr. Langley for having written as you did; Mr. Langley's letter will be of real assistance to the Prime Minister during her visit to India later this month.

IAN GOW
Parliamentary Private Secretary
to the Prime Minister

Michael Grylls, Esq. M.P.
House of Commons

From: William Waldegrave, MP



HOUSE OF COMMONS
LONDON SW1A 0AA
01- 219 4574

31st March, 1981

In Clive,

I enclose a letter and report from a constituent of mine who is one of the most distinguished specialists in eye surgery. I think the report is self-explanatory. I have no doubt that Mr. Marmion would not recommend support for programme unless it was a sensible one. If the Prime Minister or the British Council are looking for useful projects to support at limited expense, this sounds like a sensible one.

*Yours
W. Waldegrave*

C. Whitmore, Esq.,
Principal Private Secretary,
10, Downing Street,
London, S.W.1.

P

Mr V. J. Marmion FRCSed MRCPSE

73 Pembroke Road Clifton Bristol BS8 3DW

telephone Bristol 0272 30640

26th March, 1981

9.

William Waldegrave, M.P.,
House of Commons,
Houses of Parliament
Westminster
London.W.1.

Dear William,

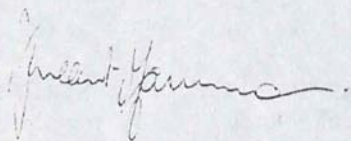
David Hunt has suggested that I should write to you with a copy of a recent report that I have made out for the British Council following my visit to India. The local offices of the British Council in Delhi, at the instigation of Head Office in London, asked me to look at the Indian National Plan for the Relief of Blindness. They have been asked, informally, to offer support on the administrative side of the Plan.

I think it is unlikely that this would be a profitable exercise. I had the opportunity of speaking to a lot of people in India and then, armed with Professor Fould's report, and subsequent discussion with colleagues here who are very familiar with the scene and Sir John Wilson at the R.N.I.B, the report has been formulated.

I understand that Mrs. Thatcher is going out to India in April and if this topic was raised, there are funds available through the British Council to support some of the proposals put forward. I would be more than happy to go through this with you, and give your further background information about Cataract Camps if you are in the constituency some weekend. I am certain that this is a very worthy cause which can be helped very considerably by a little impetus from this end.

I hope that you will be able to help.

Yours sincerely,



V. J. MARMION.

A REPORT TO THE BRITISH COUNCIL
ON SUPPORT FOR THE INDIAN NATIONAL
PLAN FOR THE PREVENTION OF BLINDNESS.

V. J. MARMION. F.R.C.S., M.R.C.P.Ed.
73 Pembroke Road,
Clifton,
BRISTOL BS8 3 DW.

4th March, 1981.

A REPORT TO THE BRITISH COUNCIL ON SUPPORT FOR THE
INDIAN NATIONAL PLAN FOR THE PREVENTION OF BLINDNESS.

This report should be considered in the context of the publication, "World Blindness and its Prevention", edited by Sir John Wilson, 1980; The report of the Royal Commonwealth Society for the Blind; The Summary of Proceedings and Recommendations from the Conference in Hyderabad; and the report of Professor W.S. Foulds to the British Council in December 1979.

Since Professor W.S. Foulds submitted his report to you a year ago, there have been changes in relation to the national programme for the Prevention of Blindness in India. The major administrative change is that Dr. L. P. Agarwall has been removed from his post and Dr. K. Lall has been transferred to the Headship of the Department of Ophthalmology at the Ram Manchar Lohia, (Millington) Hospital. In the operational field, there has been a considerable under-achievement. For example, it was thought that the team based on the All India Institute of Medical Sciences, (Rajendra Prasad Eye Unit), would accomplish some three thousand cataract operations each year. The level of achievement is closer to one thousand. Further, other centres have not developed and, on the whole, the service seems to be rather patchy. There is a proposition at the present time that instead of having State Eye Institutes, the most distinguished medical college within the State should assume the work of the State Eye Institute and promote the work of the Camp system.

A major problem in relation to an investment in equipment to run these Eye Camps, is that they can only be operational for about twenty to twenty-six weeks a year. For the remainder of the year the equipment is likely not only to be unused, but also unserved.

A standard unit of an Eye Camp requires the presence of a laboratory technician, four doctors, two para-medicals in the form of ophthalmic assistants, and two nursing staff, along with a social worker and a team to provide an advertisement of the facility to the general public.

I think it is worthwhile stressing that while the camps are in operation for a fortnight, the rate of surgery at one hundred per day, a figure very frequently quoted, is only pertinent for a very limited number of days, perhaps four or five. It takes time, probably a minimum of three days, to recruit patients for the proposed surgery. During the period of the Eye Camp there may be as many as two thousand patients screened. In the last four to five days of the camp quite a lot of useful minor surgery is undertaken. It does seem that apart from under-achieving their objective in relation to cataract, there is an indication that only one third of those who require treatment come forward for it.

A further amplification of the statistics reveals that while eighty per cent of the population are in rural areas, eighty per cent of the doctors are urban based.

To keep abreast of the work outlined in the statistics produced in Professor Fould's report, it would be necessary to consider something in the order of four thousand camps across the country nationally, during a maximum period of twenty weeks. As each camp lasts a fortnight, probably some four hundred units need to be involved. At the present time there are only one hundred and forty medical colleges. Smaller units and Eye Institutes will have limited manpower facilities to support Eye Camps.

One very possible way of approaching the problem of manpower distribution is to have a more senior ophthalmic resident, delegated from a training centre to work in a specified district, or primary health

3.

care clinic, dealing with routine surgical problems. This has been tried by the Institute and has worked very well. This system would provide a centre for referral from the surrounding rural areas. A further suggestion would be to organise a system of static, rather than mobile camps and reserve the mobile camps for areas such as hilly regions, or more sparsely populated areas. There is also an indication that mobile camps, returning to the same area, would encourage trust and result in better patient compliance.

There are three particular ways in which the very sad plight of the five million blind from cataract in India can be alleviated. Firstly, there could be improved education of India's equivalent of the general medical practitioner in rural areas. Support for this could be in the form of:-

- A. Paying the practitioner's travel costs to an Institute.
- B. Paying his subsistence while there,
- C. A small stipend for attending an approved course, and
- D. Financial support to the Institute, to enable it to provide this facility and the extra commitment entailed therein, such as audio-visual aids, hand-outs etc.

This could relieve some of the diagnostic burden prior to a cataract camp. A greater awareness of ocular problems and a more accurate approach to them by rural practitioners could help considerably in future attempts to control the hardship abundantly seen in the villages and small towns of India.

Secondly, both the rural practitioner, the camp team and the Senior Ophthalmic Resident, could be substantially helped by an ophthalmic assistant. A fully trained ophthalmic assistant has the facility to provide optical, orthoptic and nursing expertise. He is therefore able to participate in out-patient screening by sight testing, detecting squints and recognising the major forms of ocular pathology. His support

4.

in the diagnostic field, particularly by refractions and dispensing of lenses to the patient, can relieve the medical staff of a considerable amount of work. Support for Nurse Training is not likely to be viable or profitable. There are adequate facilities in India for the production of instruments, drugs and dressings.

The Ophthalmic Assistant has a multi-purpose function. In the highest grade he is trained to provide optical, orthoptic and nursing services. He will therefore have a professional attainment which will be of permanent value in the community. The advantage of such a trained person with this special expertise, lies in the accuracy of diagnosis. This ability will encourage confidence when unsupported by medical staff and when referring patients to clinics. The combination of abilities will enable the ophthalmic assistant to work with the medical staff in camps, particularly in the operating theatre and on ward rounds. Support for this grade is, therefore, likely to produce a group of well trained assistants who will be of permanent help to the Community.

The draft training programme for B.Sc., graduates looks very comprehensive and facilities at the All India Institute are satisfactory for this form of training.

Thirdly, there would seem to be a considerable number of medical practitioners graduating. There is a reasonable argument in favour of producing a new grade, that of a Surgical Ophthalmic Officer. He, or she, could be trained in diagnosis and surgery with experience gained over a relatively brief period, (two years), and could provide cover for the basic blinding conditions. Such a person could be aided by paramedical support and the transport of patients to the Primary Health Care Centres arranged.

5.

There seems to be some reluctance by patients in rural areas to accept available facilities. Some higher priority could be placed on a Social Scientist and an Epidemiologist. This small team could also gather data on the number of blind persons and those whose blindness has been alleviated in the district or division. This would form a control on the work being done and give an indication as to how effectively either static, or mobile camps were performing.

PROPOSALS.

1. There is a great importance in the work of training Ophthalmic Assistants and the Council should be interested in not only supporting the training but implementing it and, particularly, in encouraging higher grade students.(i.e. B.Sc., Candidates) to come forward. The training could be on the basis of a four year programme, three years of which could be in in-service training at the Institute and the fourth year could be spent working in the community. Recruitment could be on a scholarship basis with a suggestion of a year in England for the outstanding student of the year. The fourth year could be spent in the Camps, or in the Primary Health Care Centres.

2. To implement the Rural Practitioner Refresher Course at the All India Institute in Delhi. This should be confined, in the first instance, to Rural Practitioners within a radius of one hundred miles from the city.

3. To encourage and promote the concept of a District Survey into all aspects of eye disease. This would require a team comprising of a Social Scientist, Epidemiologist, and Surgical Ophthalmic Officer.

4. To consider supporting the training of a Surgical Ophthalmic Officer whose remit would be to work in small towns and villages at the level of the District Hospital, or Primary Health Care Centre.

5. To re-appraise the value of overseas doctors working in Eye Centres.

CONFIDENTIAL

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TO IMMEDIATE FCO
TELEGRAM NUMBER 296 OF 31 MARCH.

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Am

PRIME MINISTER'S VISIT TO INDIA

1. I SAW MRS GANDHI THIS MORNING. SHE WAS AMIABLE AND SPOKE FEELY. THE MAIN POINTS ARE IN A LETTER TO COLES WHICH LEAVES BY CONFIDENTIAL BAG THIS EVENING.
2. I THANKED MRS GANDHI FOR MAKING THE RAJ BHAVAN IN BOMBAY AVAILABLE FOR THE PRIME MINISTER (YOUR TEL NO 229). SHE WAS PLEASED AND SAID THERE WAS NO QUESTION OF IT BEING OTHERWISE. SHE HOPED THE PRIME MINISTER WOULD GO TO BARC. SHE THOUGHT IT WOULD INTEREST HER. SHE MADE IT CLEAR THAT THE IDEA FOR THIS VISIT WAS HER OWN. I HOPE WE CAN ACCEDE TO IT SINCE IT COULD PLAY AN IMPORTANT PART IN THE PERSONAL RELATIONSHIP AS WELL AS BEING PLEASING TO INDIANS IN GENERAL.
3. I STRESSED THAT THE PRIME MINISTER'S OBJECTIVES WERE AS IN PARAGRAPH 2 OF COLES' TELELETTER TO ME OF 13 MARCH. I ADDED THAT THERE WOULD NO DOUBT BE SOME ITEMS OF BILATERAL ECONOMIC INTEREST TO SIGN OR ANNOUNCE AT THE TIME OF THE VISIT. THESE WERE VALUABLE EVEN THOUGH THEY MIGHT BE RATHER VAGUE AND ON A SMALL SCALE. THE BIGGEST AND MOST IMPORTANT ITEM THAT WAS RIPE FOR DECISION WAS THE COASTAL STEEL PLANT. IF THE ORDER FOR THIS CAME OUR WAY IN TIME, IT WOULD OBVIOUSLY DO MUCH TO ENHANCE THE SIGNIFICANCE AND VALUE OF THE MEETING BETWEEN THE TWO PRIME MINISTERS. MRS GANDHI MADE NO COMMITMENT, BUT I AM SURE THAT SHE UNDERSTANDS THE POINT. I BELIEVE WE HAVE PITCHED OUR CAMPAIGN ABOUT RIGHT AND THAT WE STAND AN EVEN CHANCE OF GETTING THE CONTRACT.

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FM DELHI 310955Z MAR 81

TO IMMEDIATE FCO

TELEGRAM NUMBER 295 OF 31 MARCH.

YOUR TELNO 226: PRIME MINISTER'S VISIT TO INDIA

1. LITTLE TO REPORT AS MOST ITEMS COVERED IN MY TELNO 288 CONCERNING SIR K CLUCAS'S VISIT.
2. GENERAL. PARA 4 OF CRED A 123 OF 30 MARCH ON LEVEL OF SIGNATURES IS ALSO APPLICABLE TO OTHER MOUS.
3. STEEL. SEE MY TELNO 288.
4. COAL. WE STILL AWAIT CONTACT BY WOODALL DUCKHAM REPRESENTATIVE.
5. POWER. SEE MY TELNO 288.
6. SPACE MOU. WE ARE ACTING UPON YOUR TELNO 235.
7. SCIENCE AND TECHNOLOGY MOU. DEA HAVE INDICATED GENERAL SATISFACTION BUT WILL COME BACK TO US SHORTLY, AFTER CONSULTING SCIENCE AND TECHNOLOGY DEPARTMENT.
8. MOU ON OTHER SECTORS. SEE MY TELNO 288 AND CRED A 123.
9. DEFENCE SALES. STILL AWAITING DECISION ON LAPADS - ACTION WITH YOU. THIS TOPIC WILL ALMOST CERTAINLY BE RAISED DURING THE VISIT. RECENT VISIT OF HDS AND SBAC EXHIBITION AND SEMINAR WILL GIVE YOU LATEST UPDATE ON OTHER TOPICS. SEE ALSO EWANS' LETTER OF 27 MARCH TO COLES ON CONTINUITY OF SUPPLY.
10. BURMAH OIL. ACTION IN HAND. IT NOW SEEMS MOST UNLIKELY THAT INDIANS WILL BE READY TO NEGOTIATE BEFORE MAY.
11. DOUBLE TAXATION AGREEMENT. RESPONSE AWAITED TO MY TELNO 275.
12. INDIVIDUAL REMITTANCES. WE HAVE TAKEN THIS UP WITH THE RESERVE BANK OF INDIA.
13. UKPH QUOTA. NOTHING TO ADD TO MY TELNO 281.
14. INDIAN EXPORTS. SEE OUR TELNO 288.
15. TELECOMMUNICATIONS. NOTHING TO ADD.

CONFIDENTIAL

116. FERTILISERS.

CONFIDENTIAL

16. FERTILISERS. DOCUMENTS NOW IN LONDON. REFERENCE TELECON MCCLEAN/JAY. MINISTRY OF FERTILISERS FORESEE NO PROBLEM OVER INSTRUCTIONS TO TOPSOE BUT WILL CONFIRM THIS SHORTLY.
17. PORT DEVELOPMENT. NOTHING TO ADD.
18. TRANSFER OF TECHNOLOGY. NOTHING TO ADD.
19. BANKING. ACTION WITH YOU.
20. FINANCIAL PACKAGE. COVERED IN OUR TELNO 288. WE SUGGEST THIS NOW BE DROPPED.

THOMSON

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MR DONALD

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MR ALEXANDER
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MR KHANNA
REF 3 DOT

DATE: 31ST MARCH, 1981

INTERVIEWER: MAHENDRA KAUL O.B.E.

Seen cc MR ALEXANDER

I have told the Co! that
this is OK. subject to minor
editing on page 3. Copy please
to: T.S.

Michael Alexander
Rt. Hon. Nav Dept. Sec

Z

INTERVIEWER:

"Prime Minister, you have been to India before and you have established good relationship with the present Prime Minister of India Mrs. Gandhi. But as Prime Minister of Great Britain, this is the first time you are going to India. What is the purpose of your visit?"

PRIME MINISTER:

"It's the first time I've been as Prime Minister and naturally having been twice before, I really want to go as Prime Minister, to have a chance to talk to Mrs. Gandhi, whom I've met on a number of occasions. I've the greatest admiration for everything she does, and I also want to have the chance to talk with her about some of the great international issues of the day. And two to see how India is progressing. We hear wonderful stories of the things which are being done both in the improvement in agricultural facilities and in tremendous advances in industry. I read about all this, I really want to see if for myself once again."

INTERVIEWER:

"Now India. U.K. is India's third largest trading partner and most important aid donor, and India has also progressed considerably and it also happens to be the ninth largest industrial country in the world. Have you any plans for joint partnership between India and Great Britain to help develop Third World countries?"

PRIME MINISTER:

"You've given a very very interesting set of figures and they really are rather impressive, yes we are the largest aid donor to India, that's not surprising in view of the joint history which we've enjoyed, which no-one can deny its led to this tremendous natural interest and natural affinity between the people of India and the people of Britain. We also have tried to co-operate very closely on industrial matters. I think I'm right in saying that in 1980 there was some sixty-nine co-operation agreements in one year alone signed between some of our companies and some of those in India. On things that we are particularly good at. On mining equipment, on computers I hope also we will be able to do some in the development of oil, where we have a good deal of experience in development of oil in off-shore waters. I don't think we have yet got any specific examples to give of where India and Britain together can help with Third World countries. But its quite possible. It's a very interesting idea because you are good at certain things, you have experience in doing certain things and we might have complimentary experience. We've often learned together in things like engineering and I know that I spent some time ~~xxxxxx~~ at the Indian Institute of Technology last time I was there, so I think we might be able to help together, anything we can do in this sphere would be very welcome!"

INTERVIEWER:

"Would it be one of the subjects you would like to discuss with the Indian Prime Minister?"

PRIME MINISTER:

"Well perhaps we might take it up and also we could see if we could do some work on it before we go".

INTERVIEWER:

"Now how do you see this relationship between the largest Parliamentary democracy and the oldest Parliamentary democracy and also bearing in mind there are thousands of people of Indian or say Asian origin living in this country. How do you see the relationship between the two countries developing?"

PRIME MINISTER:

"Well I hope it will be very close. It is close historically. It is close by natural interest, it is close because now in Britain we have about half a million people of Asian origin with the right to live in the United Kingdom. I have a large number in my own constituency. They are very active, they take a very foremost role in Britain, they are wonderful traders as you know, extremely hard working and ~~certainly in my constituency~~ certainly in my constituency I can remember when a whole group came along and gave us some equipment for our local hospital because they wanted to demonstrate some special tangible thing to help people in need, and so I hope it will go on getting closer. I do think its important. You see what happens in international affairs affects us all. We use to think that what happened in other countries didn't concern us, we now know it affects everyone, it doesn't matter in which street you live or village in which you live what happens in the outside world will affect you. And so its important that the leaders of countries talk together because if things were left to the ^{want} ordinary folk almost everywhere they would say please we won't to get on in peace to live our own lives, to try to improve our own standard of living. That is the feeling amongst ordinary peoples everywhere and we must try to give effect to it as leaders of those countries and try to see that those who wish to disrupt peace do not in fact get the chance to do so."

INTERVIEWER:

"Now this Nationality Bill which is going through the discussion stage at this time people have criticised you, do you have any comments to make on the nationality bill?"

PRIME MINISTER:

"What the Nationality Bill does is to try to relate nationality to the right to live permanently in a country and as I have just said a lot of the Asian community have a right to live permanently in Britain. I'll think you'll find that most countries have a nationality bill, a nationality law, which is actually more strictly defined than we have ever had in Britain. We are now going to have a nationality law but it is not based in any way on ethnic background, it is based on right of abode in Britain and I'm sure that people when they look at it more closely will find that it is not nearly so worrying as some of them might have thought".

INTERVIEWER:

"Would you have something to say something reassuring to say to the people of ethnic minorities living in this country, other than what you have just said?"

PRIME MINISTER:

X "I would gladly do so. We don't distinguish on the basis of race, religion or other kinds of backgrounds. People who are here have [a British citizens, have] the same civil rights regardless of background. The same rights of voting, the same rights of access, I hope the same opportunities and we try to make certain of that, and the same responsibilities. We've always tried to give a lead in that respect and I hope and believe that people will understand that the Government's being very very firm in this and I find a tremendous response to it in my own constituency and elsewhere."

INTERVIEWER:

"Now let's talk about.."

PRIME MINISTER:

"Can I perhaps just say one more thing. We should really look at people not in the way of background, origin or anything like that, but for what each person is and what they have to offer in the society of which we are all ~~part~~ a part".

INTERVIEWER:

"And also Britain and India are part of the Commonwealth."

PRIME MINISTER:

"Very much so".

INTERVIEWER:

"What is your assessment of the Commonwealth is it an effective force at this time?"

PRIME MINISTER:

"Yes I think it is, the more so because it's unique. People of all kinds of different backgrounds, all kinds of different standards of prosperity come together because we have a history in common, because we have a common interest and above all because we have a personal interest in one another. Because we do make a point of ~~MY~~ meeting frequently and if there is anything very important then we get together. And we also have the regional meetings, there was one very successful one in India recently and we were all very happy about it. So yes we are quite different from any other World organisation and because of that difference and because we have countries from Africa, countries from Asia, countries which are tiny little islands, countries which are enormous like India that we all get together and we all say what happens in the World affects us now let's try to see how we together can set about influencing it. Yes it's a wonderful organisation. Let's keep it going.

INTERVIEWER:

"One last question Mrs. Thatcher, people who watch you and who watch India and who watch Great Britain they discern special interest that you have in India. Is it a fact that you have special interest in India?"

PRIME MINISTER:

"Special only in the sense that the first time I went was in 1973, I spent about ten days there and I absolutely loved it. We went to see a lot of things of course we started in Delhi and the villages around Delhi. I went to one of the schools, I went to the universities, I went to see how the teaching was done on the green revolution I went into one of the small houses where the women were being taught all the best rules of nutrition and cooking, I went into a village where they'd got piped water for the first time, and the people were lovely and we had such a welcome, that really I've never forgotten it. I went then to the big like the Institute of Technology, into the big engineering departments, I went out to one of the smaller places where they were teaching young people apprenticeships in engineering. I saw the very best in research establishments, so I saw such a lot and I really fell in love with it.

INTERVIEWER:

"Thank you Mrs. Thatcher; (CAMERA RUN OUT AT END)..."

SLATE 2/TAKE ONE

INTERVIEWER:

"Prime Minister, people who watch you, and watch Great Britain and also India they discern that you have developed over a period of time special affection for India is it so?"

PRIME MINISTER:

"Yes it is because the first time I came in 1973 I spent about ten days going around and I really became totally fascinated with everything I saw. I visited India old and new, the old (Calcutta), Delhi, (Agra), (Fatehpur), (Jaipur), and also went out to see a number of the new things and together they were marvellous. I went to see the green revolution and how people were being taught to get greater yields from the ground. I went into a house where the women were being taught the best standards of nutrition of what to cook and what to give the children. I went into a school where the children put on a lovely display. I went to the universities, I went to some of the research institutions where they're doing wonderful work. I went to the Indian Institute of Technology where they are doing the most advanced engineering and I went to a smaller place where they were teaching young people the technical parts of engineering. I went to the villages, I went to see piped water for the first time, it was wonderful. And everywhere I went the people were, were lovely they gave one such a welcome, ~~xxx~~ and really, I fell in love with it."

INTERVIEWER:

"Thank you Prime Minister".

Michael Grylls MP



HOUSE OF COMMONS
LONDON SW1A 0AA

Ian Gow Esq TD MP
10 Downing Street
LONDON SW1

31st March 1981

Dear Ian,

PHILWIN LIMITED
COMPUTER APPLICATIONS IN INDIA

I have received the enclosed letter from the Director of Philwin Ltd, which is located in my constituency, and I would draw your attention to his final paragraph where he suggests that the Prime Minister might like to be aware of the developments he outlines.

I have no idea whether or not this is appropriate, but I did promise Mr. Langley that I would pass his letter and introductory leaflet on to you.

Yours ever

Michael Grylls

Enc:

PHILWIN LIMITED trading as

ADVANCED COMPUTER SERVICES

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SURREY GU15 2HD

Tel. CAMBERLEY (0276) 25850

Mr. Michael Grylls,
Member of Parliament for
North West Surrey,
House of Commons,
London. S.W.1.

30th March, 1981

Dear Mr. Grylls,

I have recently returned from a British Council sponsored visit to India, together with Professor M. J. Sterling of Durham University and Dr. E. D. Farmer of the Central Electrical Research Laboratories of the CEGB, Leatherhead, where I have taken part in an Indo-British workshop on Computer Applications to Power Systems.

The workshop was held at the Indian Institute of Technology, Delhi, which receives considerable aid from the British Government.

Following the workshop, we visited the following organisations:-

Central Electricity Authority, Delhi
State Electricity Boards
Uttar Pradesh at Lucknow
West Bengal at Calcutta
Damodar Valley Corporation, Calcutta
Calcutta Electric Supply Corporation
Regional Computing Centre, Calcutta

I am currently associated with International Computers Ltd. in the supply of a program package for analysis of electric power system performance, this being on offer at present to the Queensland Electricity Board, Brisbane in support of a tender for a large computer installation.

It is clear from our discussions with upward of 100 engineers and academics in India, that a great need exists there for facilities to analyse their serious power system problems and, while their academics and recently trained engineers are up to date with the latest technological developments, a wide gap exists in their experience in the application of the more basic analysis techniques to power system design and performance.

I am therefore proposing, in collaboration with Professor Sterling and possibly the CEGB overseas consulting group, British Electric International, to make available in India the same suite of programs it is hoped to supply to the Queensland Electricity Generating Board and other users of ICL computers worldwide.

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K. C. Parton, B.Sc. (Eng), C.Eng, FIEE

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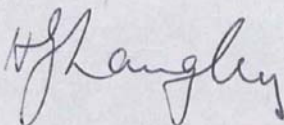
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This suite can be made available wherever a suitable ICL computer exists and, if backed with a sympathetic advice service, will go a long way to filling the gap which currently exists until the Indian electricity undertakings and computer services develop their own facilities and capabilities. At the very least it will offer a means of testing their own programs, It is not expected that the same commercial value can be placed on the supply to India as on the supply to the Q.E.G.B.

A very comprehensive integrated development of the Indian power system is being planned by the Central Electricity Authority who will shortly be requesting bids for consultancy services to analyse their proposed inter-connection and recommend the types of equipment and control techniques that may be needed. We hope to obtain this work through BEI.

In view of the importance being placed by the Indian Government on development of their power system to overcome the serious problems which exist at present and the great interest shown both in the workshop and during our discussions with the organisations listed, Mrs. Thatcher should be made aware of the success of our visit in case the matter is raised during her forthcoming visit to India.

Yours sincerely,



H. J. Langley.
Director. Philwin Limited (Advanced Computer Services)

c.c. Professor M. J. Sterling, Durham University
Dr. E. D. Farmer, CERL, Leatherhead
The British Council, London
Mr. K. C. Parton.

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ANALYSIS

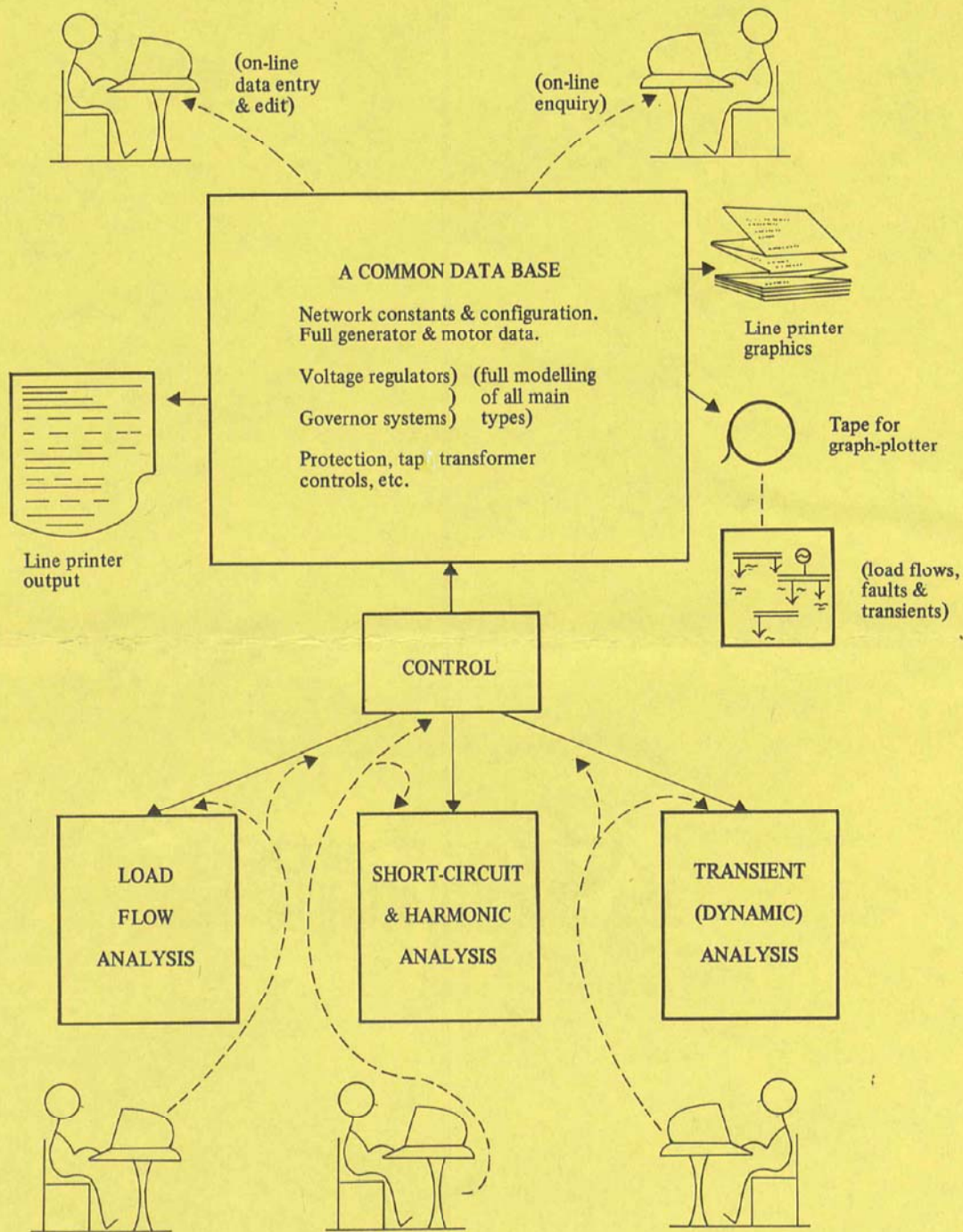
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A SPECIALISED AND COMPREHENSIVE INTERNATIONAL SERVICE

THE ACS POWER SYSTEM ANALYSIS SUITE OFFERS:-



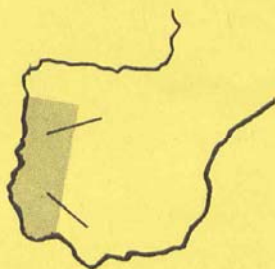
(On-line job control, set up, and result interrogation.)

PLUS COMPREHENSIVE GRAPHICAL OUTPUT, STUDY RETENTION, MODIFY AND REPEAT COMMANDS TO MAKE COMPLEX ANALYSIS TOOLS READILY USABLE BY PRACTISING POWER SYSTEM ENGINEERS.

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Typical examples of regular use are:-



1. LARGE SYSTEMS - National Grids

The suite is used by the Electricity Authority of Portugal (EDP) for operational and planning studies.

Important features are:-

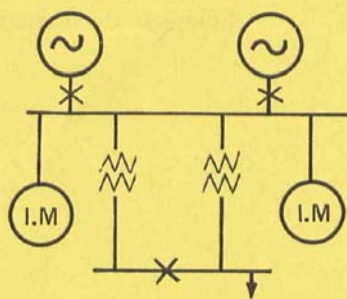
- * High numerical efficiency and excellent convergence.
 - * Zoned power control, auto-tapped transformers.
 - * Wide range of flexible AVR and Governor controls.
 - * Harmonic Analysis Capability.
-

2. LIMITED SYSTEMS - Oil Platforms, Refineries, Steelworks, etc.

Intensive analysis is regularly conducted to study overall system dynamic performance, especially for contractual specification of control devices.

Important features are:-

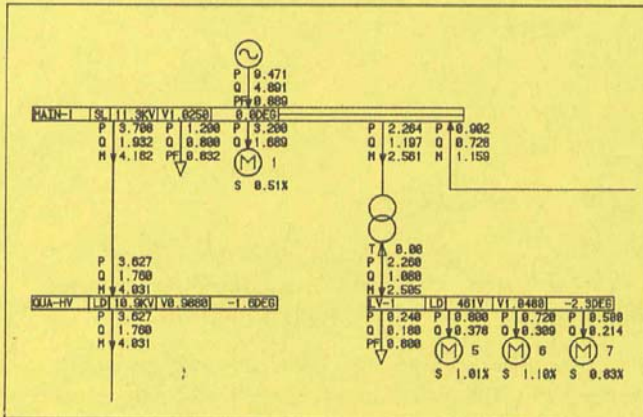
- * Detailed modelling of AVR's and Governors.
 - * Proven machine equations for transient and sub-transient currents.
 - * Automatic protection operation during transient studies.
 - * Representation of Rectifier fed DC loads.
-



Additional Facilities

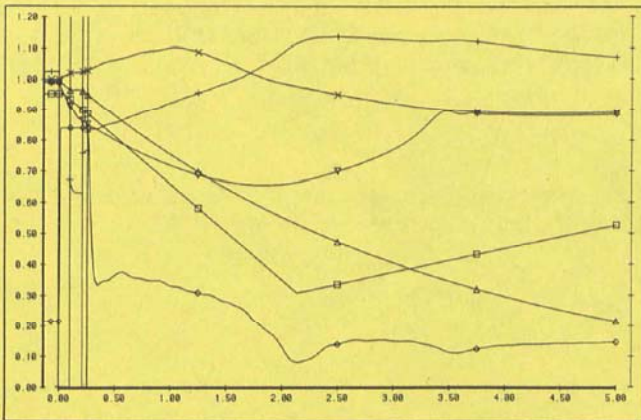
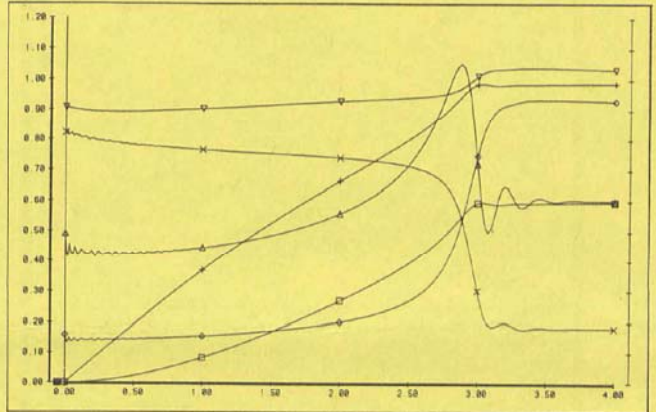
Phase co-ordinate analysis techniques for single and three phase generator and motor detailed transients, including non-linear analysis of fault limiters, etc.

ACS PROVIDES FULLY AUTOMATED OUTPUT TO MINIMISE REPORT GENERATION TIME:



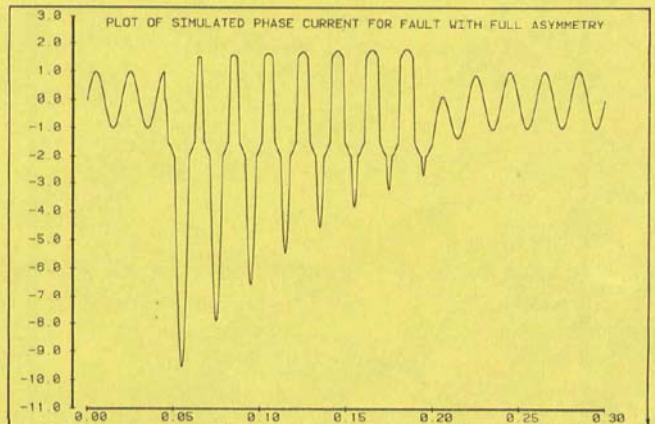
Direct generation of loadflow output via a graph plotter.

Detailed analysis of a large induction motor following a Direct-to-line start.



Recovery of system after a three phase fault, including selected under-voltage tripping to assist voltage recovery.

Transient response of fault limiter to three phase fault, worst asymmetric case.



ACS is the success of individuals:—



H. J. LANGLEY, C.Eng, B.Sc.(Hons), M.I.E.E.

Founded the Company in 1974 since when it has supplied services to over 30 different organisations ranging from specialist oil rig consultants to large multi-national organisations and major electricity supply authorities.

Mr. Langley learnt his trade as a Graduate Apprentice with Crompton Parkinson followed by 19 years with Merz and McLellan, the major U.K. consultants, becoming head of their General Electrical Engineering department and establishing their Computer Application Department.

K. C. PARTON, C. Eng, B.Sc.(Hons), F.I.E.E.

Joined the Company as Director in 1975, and specialised in accurate voltage regulator and governor modelling, advanced stability studies and non-linear computation such as fault limiter representation.



Mr Parton learnt his trade as a Graduate Apprentice with the General Electric Company followed by 19 years with the Company where he became Manager of Power Systems Analysis Services and Head of all Computer Services at the Witton Heavy Engineering Works. He was chairman of the IEE Professional Group P9 (Power System Planning and Design) from 1960-1966.

Mr. Langley and Mr. Parton have both specialised and liaised on many aspects of power system engineering and development since the computer started taking place of the network analyser in the late 1950's.

ACS is supported by:—

M. A. Laughton, B.A.Sc., PhD., D.Sc(Eng), F.I.E.E., C.Eng. (Associate Director), Professor of Electrical Engineering at Queen Mary College, London University

R. N. Adams, PhD, M.I.E.E., C.Eng., also of Queen Mary College.

ACS acknowledges the contribution of the Power System Laboratory of the University of Manchester Institute of Science and Technology in providing the modern numerical analysis routines used in the ACS suite of programs.

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For further information contact:-

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*Registered Office: Ashcombe House,
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GU17 1BB.*

file

089

MR. WRIGHT
CABINET OFFICE

PRIME MINISTER'S VISITS TO THE GULF AND INDIA:
BRIEFING

The Prime Minister has seen your minute to me of 27 March about the briefings for her visits to India and to the Gulf. She is content with the arrangements described in it.

x | The Prime Minister would prefer to see Mr. Nott separately and we shall be arranging this.

M. O'D. B. ALEXANDER

arranged for 1700 to
Wednesday 8th

31 March 1981

es-31/3 *AK*

OUT TELEGRAM

		Classification and Caveats CONFIDENTIAL	Precedence/Deskby IMMEDIATE
ZCZC	1	ZCZC	
GRS	2	GRS	
CLASS	3	CONFIDENTIAL	
CAVEATS	4	PERSONAL	
DESKBY	5		
FM FCO	6	FM FCO	
PRE/ADD	7	: TO IMMEDIATE NEW DELHI	
TEL NO	8	TELEGRAM NO	
	9	Personal for High Commissioner from Coles.	
	10	Your telno 228: IMMIGRATION AND THE PRIME MINISTER'S VISIT.	
	11	1. The Prime Minister has decided that the maximum increase	
	12	which can be authorised in the annual quota for UKPH in India	
	13	is 300.	
	14	2. If you think it would be helpful, you should tell Ranjiv	
	15	Gandhi, with reference to the conversation reported in your	
	16	tur, that during her visit the Prime Minister will inform	
	17	Mrs Gandhi of her intention to allow a significant increase	
	18	in the present annual quota for UKPH in India. She will not	
	19	be able to talk about precise figures because these are	
	20	never revealed but the proportionate increase on the present	
	21	annual quota will be of significant size.	
///	22	3. You should explain to Ranjiv Gandhi that while we under-	
//	23	stand the political difficulties this issue causes for the	
/	24	Indian Government they must also understand that all immigration	
	25	questions are of great political ^{Sensitivity} complexity in the UK. We	

NNNN ends telegram	BLANK	Catchword shall
File number	Dept SAD	Distribution <i>Especially bearing in mind that we have over 10% unemployed and the figure will rise when the P.M. does not know that this should not have any effect in London etc. etc. on my side. La main</i>
Drafted by (Block capitals) MR A J COLES		
Telephone number 233-3131		
Authorised for despatch		
Comcen reference	Time of despatch	

OUT TELEGRAM (CONT)

	Classification and Caveats CONFIDENTIAL	Page 2
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<<<<

1 <<<< No word

2 shall ~~shall~~ therefore stress, in any public announcements that

3 ~~We may make during or after the Prime Minister's visit,~~ that

4 this step will not lead to a significant increase in total

5 immigration into this country. You should ^{verbos} remind Ranjiv that

6 he accepted that any concession might mean that applications

7 for other categories of immigrants from India would be dealt

8 with ^{much} less quickly than they otherwise would have been. You

9 should further stress the confidentiality of your communi-

10 cation. ~~We do not want anything to emerge publicly until~~

11 ~~the Prime Minister has had the opportunity to discuss the~~

12 ~~matter with Mrs Gandhi.~~

13

14 CARRINGTON

15 NNNN

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*At Dhruv is intd in need the
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NNNN ends telegram	BLANK	Catchword
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B

PRIME MINISTER

YOUR VISIT TO INDIA
VOUCHER QUOTA FOR UNITED KINGDOM PASSPORT HOLDERS IN INDIA

In the absence abroad of the Foreign and Commonwealth Secretary I write to comment on the Home Secretary's minute of 30 March to you.

The Foreign and Commonwealth Secretary's minute of 26 March drew attention to the likely impact of this issue on your visit to India and in particular on our commercial interests. We have in mind especially, but not exclusively, the £1 billion steel contract which the Indian Government may decide to award at about the time of your visit. Our latest information is that the Indian Cabinet may take its decision at a meeting on 6 April. This time-table could of course slip. But even if it does Mrs Gandhi is likely to consider whether or not the contract should be awarded to Davy at the time of your visit as a gesture to you. Our High Commissioner told Mrs Gandhi yesterday that the matter was ripe for decision and that if the order came our way in time it would obviously do much to enhance the significance and value of the visit.

/It is



It is impossible to prove that a concession over UKPH will tip the balance in our favour. But it has long been our judgement that it could well have that effect provided the concession was sufficiently substantial. As the Foreign and Commonwealth Secretary pointed out in his minute, Mrs Gandhi's son, Rajiv, recently told us that nothing would do more to promote the success of the visit than a favourable statement about UKPH in advance of it. It remains our judgement that an increase in the annual quota sufficient to have an observable effect in the rate of flow would be required; and that to have such an effect a doubling of the quota to 1200 is necessary. This would enable us to talk to the Indians of a substantial increase without of course specifying figures.

The Home Secretary points out that the increase of 600 in the quota which we believe to be necessary would be reflected in a total increase of 1800 because of dependants. But it is worth noting that the longer these people wait the more children will be born outside the UK and this increase will be reflected in the immigration figures in due course.

I entirely understand the difficulties and, above all, the need not to arouse domestic controversy over the matter. I have looked again at the question of whether there would need to be a public announcement in advance of your visit. It seems to me that our objective could be achieved by authorising the High Commissioner to tell Rajiv Gandhi privately, with reference to their previous conversation, that it was your intention to inform Mrs Gandhi during your visit that the annual quota for UKPH in India will be substantially increased. He would emphasise that this must not become public knowledge before your visit. We could

/then consider



then consider further whether the concession should be allowed to emerge publicly while you are in India or after you have returned. The former might be best from the point of view of the atmosphere surrounding the visit.

There remains the question of the effect of such an increase for UKPH in India on total immigration figures. The Indians have made it plain that they are prepared to accept that a concession over UKPH may mean that the rate of immigration of other categories of people from India will slow down. As the Home Secretary states in his minute this would inevitably happen to some extent because officers now processing the other categories would have to be diverted to work on special voucher applications. We would need to look at this in more detail. But it should be possible to arrange administratively that a concession on UKPH does not lead to a significant increase in the annual rate of total immigration from India. And in public we could say, when the time comes, that we do not expect a significant increase from this source, and that in any event the global quota for UKPH was not being increased. I believe that our public position would be the more defensible since the people concerned are already holders of United Kingdom passports and we have long accepted that we are obliged to admit them to the United Kingdom. All that is at issue is the rate of admission. Furthermore it can fairly be argued that it is unjust to make people in such a position wait many years (up to 7 1/2 by 1984 if we only increase the quota by 200, up to 9 1/2 if we do nothing) for their admission.

I am copying this to the Home Secretary and Sir R Armstrong.

J. H. S.

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SECRET



Foreign and Commonwealth Office

London SW1A 2AH

30 March 1981

Dear Michael,

Proposed Visit by the Prime Minister to the Bhabha Atomic
Research Centre in India

Your letter of 25 March to Roderic Lyne recorded that the Prime Minister, having seen FCO telegram number 7 and Delhi telegram number 1 to Maastricht, saw no difficulty about visiting BARC. These telegrams did not however spell out in detail the arguments against a visit. You ought to be aware of these before Sir John Thomson finally confirms arrangements with the Indians, in case the Prime Minister feels that they put the proposal in enough of a new light for her to want to take a different view.

Key production facilities at BARC are not subject to international safeguards. India's 1974 nuclear test almost certainly used plutonium separated there from fuel irradiated there. Much of the necessary research also took place there. The newly appointed Head of BARC was himself closely associated with the 1974 test. The safeguarding of all nuclear facilities is the central element of efforts to contain nuclear proliferation. A Prime Ministerial visit to an unsafeguarded facility in India would weaken our argument that both India and Pakistan should bring their remaining nuclear facilities under international safeguards. Lord Carrington last week raised with President Zia the adverse effects of a test by them on our efforts to give them further support. Finally, the Americans have recently shared with us photographic evidence consistent with preparation for a further Indian test. (There is a piece in this week's Red Book examining this evidence). A further test might be less directly linked with BARC than that in 1974, but the role of BARC in the overall Indian programme would undoubtedly receive further publicity.

Against this there are the arguments in favour, set out by Sir John Thomson and already seen by the Prime Minister. A visit has been proposed by the Indians, and it would be awkward to turn it down. It

/would

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would be well received (not least by Mrs Gandhi who is the responsible Minister). The High Commissioner advises us that other distinguished visitors have been there. The Centre has a high prestige of which the Indians are proud, and much of its work is undoubtedly civil.

On balance we do not recommend that the Prime Minister should now decide against a visit to BARC. But the arguments are finely balanced and before arrangements are finalised we believe the Prime Minister will wish to see the relevant considerations more fully set out than they have been in the previous correspondence.

Yours ever,

A handwritten signature in cursive script that reads "Francis Richards".

(F N Richards)
Private Secretary

M O'D B Alexander Esq
10 Downing Street

SECRET

RESTRICTED

Prime Minister

To note: I assume you would
be waiting for Mr Biffen to come if
the state of the negotiations justifies
it. There will be room in the aircraft.

From the Secretary of State

Michael Alexander Esq
Private Secretary
10 Downing Street
London SW1

I see no reason 30 March 1981

whether we go or not
go. What if we do not
reach agreement on these matters.
not

Dear Michael

INDIA

My Permanent Secretary has just returned from a visit to India during which he examined the state of preparation of the various commercial negotiations which we hope to bring to fruition at the time of the Prime Minister's visit. Most important among these is our bid for a coastal steel plant at Paradip, for which Davy is the lead contractor. In other areas we hope that British participation in the development of Indian industry will be recorded in various Memoranda of Understanding, particularly in relation to the coal programme. It would be appropriate for these to be signed at official level - eg on our side by the High Commissioner - during the visit. We are, however, also bidding very hard for a thermal power plant, and should we reach the stage of concluding a Memorandum of Understanding in time, it would be highly desirable to have it signed at Ministerial level on the Indian side to ensure the necessary degree of commitment by them. If this were to be the case, it would seem appropriate for my Secretary of State to sign on our side.

When we spoke some time ago, you told me that the Prime Minister did not intend that she should be accompanied by other Departmental Ministers. I therefore thought you would like this early notice of the possible need for Mr Biffen to travel to India. It would not, of course, be essential for him to be part of the Prime Minister's party for the whole of the visit, provided he was in New Delhi at the appropriate time.

I will write to you again when we have a clearer indication of the progress on these negotiations.

I am sending a copy of this letter to George Walden (FCO).

Yours sincerely,
Stuart Hampson

STUART HAMPSON
Private Secretary

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A



PRIME MINISTER

YOUR VISIT TO INDIA
VOUCHER QUOTA FOR UNITED KINGDOM PASSPORT HOLDERS
IN INDIA

Play C
Play D
← The background to this matter was set out in my minute to you of 11th March and the Foreign and Commonwealth Office's letter of 13th March. The Indians have expressed concern about the waiting times for United Kingdom passport holders (U.K.P.H) in India seeking to come to the United Kingdom. The waiting times are now over five years and the F.C.O. estimate that they will eventually reach a maximum of nine and a half years. An increase in the Indian quota will be reflected in the settlement figures and therefore I recommended that you should offer a modest increase in the quota from 600 to 800 (the precise figures not being disclosed) only if you were asked to do so by Mrs. Gandhi. The Foreign and Commonwealth Office recommended that the Indian quota should be doubled in advance of your visit because of the danger to the success of the visit and to contracts being negotiated. You concluded that you should offer a modest increase if asked by Mrs. Gandhi.

Play E? You will now have seen the Foreign and Commonwealth Secretary's minute of 26th March, in which he refers to the serious consequences he believes will follow for your visit and for our commercial prospects unless a substantial concession is made soon. He remains of the view that the quota should be doubled from 600 to 1,200.

Having looked at the matter again, my own view is still as recommended in my previous minute. However, you will wish to examine the options carefully. I set out below some considerations which you may wish to take into account in reaching a decision.

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An increase of 600 in the Indian quota would be reflected by an increase of about 1,800 in the numbers accepted for settlement under the voucher scheme, since each voucher holder has an average of two dependants. The net increase in those coming here from India would be less because there would be no increase in the number of entry clearance officers; some officers now processing applications from wives and other dependants seeking to join people in the United Kingdom would be diverted to work on special voucher applications. The precise adjustments would be a matter for the Foreign and Commonwealth Office.

The Foreign and Commonwealth Secretary suggests that we ought to be able to arrange administratively that there is no significant increase in the Indian immigration figure. However, it would be important to guard against the charge that we were deliberately allowing the queue of wives and others to lengthen in order to find offsetting adjustments in the settlement figures.

The benefits to be derived from an increase would depend largely on the way in which the decision was conveyed to the Indians. This presents difficulties, since the size of the increase could not be disclosed. If the quota were doubled, for instance, the Indians could not be told in those precise terms. There is no readily attractive way of presenting such an increase in terms of waiting times, because the times would in fact lengthen until 1984. (In order to peg waiting times at their present level much higher increases would have to be offered).

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The Control of Immigration Statistics, published quarterly, show the total number of U.K.P.H. accepted for settlement. They do not show separately the numbers coming from each country. Nevertheless informed opinion will be able to calculate in broad terms the size of the increase in the quota for India.

The total number of U.K.P.H. accepted for settlement has declined in recent years because the global quota has not been filled. A reallocation of vouchers to India within the global total will therefore result in an increase in the total number of U.K.P.H. accepted for settlement, and as mentioned above, this group is identifiable in the statistics as a separate category.

If the Indian quota were increased - whether to 800 or to 1,200 - this would not necessarily mean that this year's settlement figure would be higher than last year's. There are many factors affecting the figures and last year's total included 6,000 refugees from South East Asia. However the total number of those accepted for settlement from the New Commonwealth and Pakistan could be up. This figure is given separately in the statistics. In recent years it has been falling and in 1980 it dropped by more than 3,000 (1979: 37,000 1980: 33,700). The New Commonwealth and Pakistan figure is of course one which our supporters will be studying carefully.

If you decide to increase the quota in advance of your visit, as the Foreign and Commonwealth Secretary would prefer, you may wish to consider what form of announcement should be made here. There have been recent Questions asking for the quota to be increased, to which we have replied that the quota is kept under review. We could say that the quota had been increased when a Question is next asked; otherwise the information could be given in reply to an arranged Question. In either event, it would be important to emphasise that the global quota was not being increased.

I am sending a copy of this minute to the Foreign and Commonwealth Secretary and to Sir Robert Armstrong.

how

CONFIDENTIAL -3-

30 March 1981

Ref. A04576

MR ALEXANDER

Prime Minister.

(a) I have arranged these meetings relatively early so that they can precede most of your press interviews. Agree participation?

(b) I suggest a separate meeting with Mr Nott (as 'A' below). Agree?

Prime Minister's Visits to the Gulf and India: Briefing

The Prime Minister is to hold briefing meetings for these two visits on Monday 6 April at 3.00 pm (Saudi Arabia and the Gulf) and on Thursday 9 April at 4.00 pm (India). The briefs for both visits will be available by close of play on Friday 3 April.

2. You will wish to consider who should attend these two meetings and I should be grateful for your comments on the following proposals:-

Briefing Meeting for the Gulf

Secretary of State for Energy

Minister of State, Foreign and Commonwealth Office (Mr Hurd)

Sir Michael Palliser

Sir Frank Cooper

Sir Donald Maitland

Sir John Graham

+ Sir R. Ellis

The Secretary of State for Defence (who will have returned from his own visit to the Gulf on 1 April) would have wished to attend the briefing meeting but is committed to accompanying the US Defence Secretary on visits which he will be making in Britain on 6 April. Later that day, Mr Nott is to go to Bonn for a meeting of the Nuclear Planning Group and will not be back before the afternoon of Wednesday 8 April. You may wish to consider whether to invite Lord Trenchard to attend the briefing meeting in Mr Nott's absence. Alternatively, it might be more appropriate to arrange for Mr Nott to have a separate meeting with the Prime Minister to discuss his visit with her.

A.
his
not

Briefing Meeting for India

Secretary of State for Trade

Minister of State, Foreign and Commonwealth Office (Mr Blaker)

Sir Michael Palliser

Sir Peter Preston

Sir Kenneth Clucas

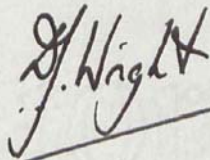
Sir John Thomson

Sir Ronald Ellis

Sir John Graham

As requested the Secretary of State for Trade has been asked to arrive 15 minutes early for this briefing meeting.

3. If these proposals are acceptable, I will arrange for those involved to be notified.



D J WRIGHT

27 March 1981

CONFIDENTIAL

GRS 560

CONFIDENTIAL

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.

CONFIDENTIAL

/6.MRS GANDHI

CONFIDENTIAL

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

[COPIES SENT TO NO 10 DOWNING ST]

STANDARD
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ADDITIONAL DISTN.
INDIA/BANGLADESH/PAKISTAN
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India

SUNSET

26 March 1981

UK PH

There was a brief discussion here last night between the Prime Minister, the Home Secretary and the Foreign and Commonwealth Secretary about the question of the voucher quota for UK passport holders in India (my letter of 16 March to Roderic Lyne refers). As a result of this discussion, the Home Secretary agreed that he would look again at the question of whether or not it would be possible to make some gesture to meet the concerns of the Indian Government (Delhi telegram number 228 of 17 March to the Foreign and Commonwealth Office to which Lord Carrington referred last night refers) in advance of the Prime Minister's visit.

I am sending copies of this letter to Francis Richards (Foreign and Commonwealth Office) and David Wright (Cabinet Office).

MODBA

CS

John Halliday, Esq.,
Home Office.

CONFIDENTIAL



FSE 341/3

RECEIVED IN THE SECRETARY No. 61		
30 MAR 1981		
DESK	IN	TRY
INDEX	Pa	T'en

SAD

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(64)

to PS

PS/LPS

PS/Mr Blaker

PS/Mr Luce

PS/PUS

Sgt J Graham

Mr Adams

Mr Donald

FCS/81/42

SECRETARY OF STATE FOR HOME AFFAIRS

Copy to Mr D. } Replied 27/3
N.D.

102 27/3

UKPH in India

1. You kindly said that you would have another look at this matter in view of the Prime Minister's forthcoming visit to India.
2. There have been certain developments since the exchange of correspondence ending with No 10's letter of 16 March.
3. The danger of the visit being marred by immigration/Nationality issues has grown. The Indians have told us at a high level that they are worried that the Prime Minister's key speech to their Parliament may be disrupted by scenes mounted by the opposition. They even queried whether the speech should go ahead but have now accepted that it should. They have forecast other demonstrations during the visit.
3. The immigrant lobby here have told us that they intend to launch a strong campaign in the Indian press both in Britain and India at the time of Mrs Thatcher's visit to Delhi and Bombay. They intend to send someone out from the UK to stir things up (they mention Martin of the JCWI). Delhi telegram number 264 is enclosed.

Not enclosed
shall request if required

4. Mrs Gandhi's son, Rajiv, told our High Commissioner last week that nothing would do more to promote the success

/of



of the visit than a favourable statement about UKPH in advance of the visit. A copy of Sir John Thomson's personal telegram reporting this conversation is enclosed.

5. It is thus clear that Mrs Gandhi personally attaches considerable importance to the UKPH issue: and you will see that Rajiv Gandhi explicitly has not asked for an increase in net immigration to the UK from India. In the light of his intercession with John Thomson and of the Indian Government's other representations, my concern is that valuable commercial prospects will be prejudiced. We are now negotiating hard with the Indians on a package of commercial agreements (the Permanent Under Secretary of the Department of Trade is in India throughout this week for the purpose). In India these matters are directly influenced by political considerations. A decision by Mrs Gandhi to make a success of the visit could tip the balance between ourselves and our commercial competitors. But she is always much influenced by the state of political relations with the country concerned.

6. A key matter, by which the success of the visit may stand or fall, is a £1 billion steel contract for which we hope a British consortium will be preferred to a German one. Technically, they are neck and neck. The Indian negotiating Committee has been meeting this week to make a recommendation to an Indian Cabinet meeting scheduled for 6 April which may take the decision (I do not say will because nothing is that certain). Mrs Gandhi's view will certainly be decisive.

7. It is for these reasons that I remain of the view that it would be greatly to our advantage to make a concession on

/UKPH



very soon and that, to have any effect, it would need to be along the lines of the second alternative referred to in your minute of 11 March to the Prime Minister ie a doubling of the existing annual quota. Ideally, we should like to instruct the High Commissioner to tell Rajiv Gandhi in the next few days that we intended to increase substantially the annual quota for UKPH from India. You will note from the enclosed telegram that he is quite ready to accept that this would mean longer queues for other categories of immigrant. We ought to be able to arrange administratively that a concession on UKPH does not lead to a significant increase in the annual rate of immigration from India and to find a way of conveying publicly, if necessary, that it will not.

8. The matter is now rather urgent. I am most grateful for your undertaking to look at it again.

9. I am sending a copy of this minute to the Prime Minister.

10
1
(CARRINGTON)

Foreign and Commonwealth Secretary
26 March 1981

DUTY CLERK

NO 10

D. STREET

CONFIDENTIAL DISTRIBUTION SELECTOR'S
FILE COPY

GRS 150
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FM DELHI 241050Z MAR 81
TO PRIORITY FCO
TELEGRAM NUMBER 264 OF 24 MARCH
INFO SAVING BOMBAY

PRIME MINISTER'S VISIT.

1. WE HAVE RECEIVED THE FOLLOWING ACCOUNT OF A PLAN TO LAUNCH A CAMPAIGN ON RACE RELATIONS, IMMIGRATION AND NATIONALITY DURING THE PRIME MINISTER'S VISIT, FROM MY DHC IN BOMBAY.

QUOTE:

PRAFUL PATEL CALLED ON ME AND PATERSON THIS MORNING. HE SAID THAT IT WAS HIS INTENTION TO COORDINATE THE INDIAN PRESS BOTH IN BRITAIN AND IN INDIA TO LAUNCH A STRONG CAMPAIGN ON RACE RELATIONS, NATIONALITY AND IMMIGRATION AT THE TIME OF MRS THATCHER'S VISIT TO DELHI AND BOMBAY. HE INTENDED TO SEND SOMEONE OUT FROM UK TO "STIR THINGS UP" AND SUGGESTED THAT MARTIN OF JCWI MIGHT BE INTERESTED.

UNQUOTE.

2. THIS PIECE OF TROUBLE-MAKING COULD CAUSE CONSIDERABLE EMBARRASSMENT, NOT LEAST TO THE PRIME MINISTER'S INDIAN HOSTS. YOU WILL WISH TO CONSIDER WHETHER THERE ARE ANY STEPS YOU OR WE COULD TAKE TO MITIGATE THE RISK.

THOMSON

LIMITED
SAD
MVD
NTD
PUSD
NEWS D
PS
PS/LPS
PS/MR BLAKER
PS/PUS

SIR J GRAHAM
MR DONALD
MR ADAMS

[THIS TELEGRAM WAS NOT ADVANCED]

[COPIES SENT TO NO 10 DOWNING ST]

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1. ~~mod BA~~
2 cf

Cabinet Office,
70 Whitehall,
London SW1

24th March, 1981

PS(81) 8

Dear Private Secretary,

Prime Minister's Visit to India: 15th-19th April 1981

This letter sets out the briefing arrangements for the Prime Minister's visit to India from 15th to 19th April.

The objectives for the visit, as approved by the Prime Minister, are at Annex A. The list of briefs to be prepared, with an indication of Departmental responsibility, is at Annex B. Instructions on format are at Annexes C and D. Those preparing briefs should note carefully the details on the format of briefs set out in Annex C, particularly (b) on the structure of briefs.

70 copies of each brief should be sent to the Cabinet Office as soon as they are ready, and should in any event arrive no later than 12.00 noon on Friday, 3rd April. They should be addressed to Mrs. M. Wagner in Committee Section, who should be consulted (tel. no. 233 7628) about any technical points arising.

I am sending copies of this letter to the Private Secretaries to Sir Michael Palliser, Sir Douglas Wass, Sir Frank Cooper, Sir Kenneth Clucas, Sir Brian Cubbon, Sir Peter Preston and Mr. Robin Ibbs, and to Michael Alexander, No. 10.

Yours sincerely,

(Signed) D.J. WRIGHT

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PRIME MINISTER'S VISIT TO INDIA
15th-19th APRIL 1981

UNITED KINGDOM OBJECTIVES

1. To cement the Prime Minister's personal relationship with Mrs. Gandhi.
2. To convince Mrs. Gandhi that Britain is an influential and sympathetic Western interlocutor and to encourage her to take a favourable view of Britain.
3. To demonstrate to Mrs. Gandhi the importance we attach to our relations with India and the value we see in a dialogue with India on international issues.
4. To advance British commercial interests in India substantially by concluding, where possible, memoranda of understanding or other forms of agreement relating to:
 - (a) A coastal steel plant.
 - (b) A thermal power station.
 - (c) Coal sector collaboration.
 - (d) Telecommunications collaboration.
 - (e) Railways collaboration.
 - (f) Science and technological collaboration.
 - (g) Collaboration over space research.
5. To advance the prospects for British defence sales.
6. To explain United Kingdom policy towards Asia and the Middle East, with particular reference to South and South West Asia, the Indian Ocean and the Arab/Israel issue.
7. Without challenging India's policy towards the Soviet Union, to convey our view of the dangers posed by Soviet policies for British, Western and non-aligned interests.

8. To explain British policies on international economic relations in advance of the Mexico and Ottawa Summits, and to encourage India to adopt a more pragmatic approach on these issues.
9. To explain our aims in the area of race relations, immigration and nationality and to express concern at the apparent misunderstanding of these aims in India.
10. (If raised by the Indians) While making it plain that the Government cannot interfere with the British media, to discuss steps which can be taken to improve the presentation of India by the media to British public opinion.
11. To discuss preparations for the Festival of India to be held in Britain in 1982 and, possibly, to invite Mrs. Gandhi to pay an official visit to Britain in March 1982, to coincide with the opening of the Festival.

PROBABLE INDIAN OBJECTIVES

1. To persuade the Prime Minister that India's concept of non-alignment is the right basis for Indian foreign policy.
2. To obtain our reading of the United States Administration's policies and to urge the importance of putting detente back on course.
3. To explain Indian concern at recent developments in and around the Indian Ocean (including Afghanistan), to press the merits of Indian policy in the region (Pakistan, Afghanistan, China, South East Asia, Indian Ocean, Iran/Iraq) and draw as much credit as possible for their particular approach to the Afghanistan situation.
4. To probe United Kingdom and Western intentions in the Indian Ocean and towards Pakistan and China and to press the case for an Indian Ocean Peace Zone.
5. To urge a more generous British and Western attitude in discussions with the Third World and in particular to press for further access for Indian products to the European Community and other Western markets.
6. To maintain the improvement in bilateral relations and seek satisfaction for certain grievances, for example:-
 - (a) Imbalance in trade.
 - (b) Restrictions on specific Indian products.
 - (c) Larger annual entry quota for United Kingdom passport holders in India and possible amendments to the Nationality Bill.
 - (d) Unbalanced portrayal of India by British media.

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7. To seek the maximum possible United Kingdom bilateral aid commitment.
8. To expound Indian domestic problems.

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LIST OF BRIEFS FOR THE PRIME MINISTER'S VISIT TO INDIA
15th-19th APRIL 1981

<u>PMVJ(81)</u>	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
1.	Steering Brief	FCO	Trade MOD
2.	East/West Relations (including Poland, arms control, detente)	FCO	
3.	Afghanistan	FCO	
4.	Iran/Iraq, the Gulf and the Indian Ocean	FCO	MOD
5.	Arab/Israel	FCO	
6.	Other Asian Questions (including Indo/Pakistan relations, South East Asia, China)	FCO	
7.	India and International Institutions	FCO	
	(a) The United Nations		
	(b) The NAM		
	(c) The Commonwealth		
8.	Relations with the Developing Countries (including the Brandt Report and prospects for the Mexico Summit)	FCO	Treasury
9.	Bilateral Aid	ODA	Trade Treasury
10.	Bilateral Trade	Trade	FCO
11.	Defence Sales	MOD	FCO

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<u>PMVJ(81)</u>	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
12.	Immigration/Nationality	Home Office	FCO
13.	Festival of India	FCO	British Council
14.	India: Internal Political and Economic (Background)	FCO	

INSTRUCTIONS ABOUT FORMAT

All briefs should be laid out in the same way with a top page in accordance with the specimen layout at Annex D. Those preparing briefs should pay particular attention to ensuring that the following instructions are fully observed:

Content

- (a) Briefs should be concise. Each brief should if possible be no more than four sides long.
- (b) The main body of each brief should comprise two sections, a concise list of Points to Make, followed by a factual Background section which distinguishes clearly between information which can be freely used and information which should not be disclosed.
- (c) Briefs should be complete and self-contained with all the information required on that particular subject. Briefs should not be divided into separate self-contained sub-sections.

Layout

- (d) Briefs should be typed in double spacing, using both sides of the paper. Pages should be numbered at the foot of each page.
- (e) As shown in the specimen at Annex D, the top page only of each brief should contain the following details: the symbol and number of the brief in the top left-hand corner (e. g. PMVJ (81) 10) with the date of production below; a copy number in red at the top right-hand corner; the visit heading; the title of the brief (in capitals) and the name of the Department responsible.
- (f) At the foot of the last page and on the left-hand side, briefs should bear the name of the originating Government Department and the date of origin.

Reproduction

- (g) Briefs should be reproduced throughout on white paper, with each page bearing a security classification at top and bottom (as in Annex D). Care should be taken that the reproduction method employed results in clear readable copies.

- (h) It is important that on arrival at the Cabinet Office, briefs should be complete in all detail - collated, stapled and copy numbered and ready for immediate circulation.

Updating

- (i) If late developments require a brief to be amended or updated, an addendum should be prepared. It should be set out in the form described at (e) above, with the brief number (e. g. PMVJ (81) 10 Addendum) and title to which it relates at the top of the front page. The Private Secretary to the Secretary of the Cabinet should be informed when an addendum is in preparation. Revised briefs and corrigenda should be similarly treated.
- (j) Additions to the list of briefs in Annex B require the authorisation of the Private Secretary to the Secretary of the Cabinet.

CLASSIFICATION

ANNEX D

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

PMVJ (81) Serial Number as specified in Annex B COPY NO. in red

Date

PRIME MINISTER'S VISIT TO INDIA
15-19 APRIL 1981

Leave 1½"
margin

SUBJECT Insert subject in capitals

Brief by name of originating Department, eg Foreign and Commonwealth Office

At the foot of the last page:-
left-hand side

Originating Government Department, eg Foreign and Commonwealth Office or Department of Industry, not a subordinate section or division

Date of origin

CLASSIFICATION

MR. WRIGHT

The Prime Minister has seen Sir Robert Armstrong's minute of 19 March to Mr. Alexander about her visit to India. She has agreed the objectives and the list of briefs to be commissioned.

M.A. PATTISON

24 March 1981

Man

23 March 1981

The Prime Minister has now seen your letter of 6 March about Burmah Oil and the Prime Minister's visit to India.

I can confirm that the Prime Minister has no objection to your intention to continue to press for the settlement of the dispute.

MAP

E

R.M.J. Lyne, Esq.,
Foreign and Commonwealth Office.



41

10 DOWNING STREET

Prime Minister.

original on file

This is a copy of the
missing letter. May I
authorize the High Commission
to try to get the matter yes
cleaned up. I do not think
Mr Thatcher's connections are
of any significance in this
context. No, does he.

Paul

ms.

28/3

SATHI 12



Foreign and Commonwealth Office

London SW1A 2AH

FSE 162/1	
REGISTRY No. 61	
- 9 MAR 1981	
REGISTRY	on Taken
BU.	

6 March 1981

bn ✓ wk

Original
on file

Mr. Lyne

913.

Dear Michael,

Burmah Oil and the Prime Minister's Visit to India

Burmah Oil have been in dispute with the Indian Government since 1978 over negotiation of compensation payments for the company's nationalised assets. Some £14m is at stake. Despite repeated representations by the High Commission in Delhi and by Ministers and senior officials in London there is still no clear sign of the issue being settled.

Mr P C Sethi, who has been Petroleum Minister in India since October 1980, recently indicated that he hoped to see the problem solved by March or April. We have heard this sort of prediction before and doubt whether anything will happen unless political pressure is maintained. We therefore have it in mind to instruct the High Commissioner in Delhi to tell the Indian Government that we hope the dispute will be settled before or at latest during the Prime Minister's visit.

Mr Maltby, the Main Board Director of Burmah Oil responsible for their business in India, has mentioned to us that although Mr Denis Thatcher is no longer a Director of Burmah Oil Trading, he nevertheless sits on the boards of some Burmah Oil subsidiaries. Although Mr Thatcher's connections with the Company are thus limited, it is possible that they will be the subject of comment in eg the Indian press, particularly if it becomes known that the dispute has been raised in connection with the Prime Minister's visit.

Our own view is that there is no reason not to continue to press for the settlement of a dispute on which periodic representations have been made since 1978. But we should be grateful if you would confirm that there is no objection to the course of action which we have in mind.

Yours ever
Robert Lyne
 (R M J Lyne)
 Private Secretary

M O' D B Alexander Esq
 10 Downing St

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(1)

Ref. A04493

MR. ALEXANDER

Prime Minister

Apce objectives (Flag A) & list

Yes not of (Flag B) ?

Print

Prime Minister's Visit to India: 15th-19th April

The Prime Minister is to visit India from 15th to 19th April. She will have a private talk with Mrs. Gandhi in New Delhi and will also see her during two dinner engagements. She will have two sessions of formal talks with Mrs. Gandhi and accompanying Indian Ministers and will receive the Indian Foreign Minister. The programme also provides for the Prime Minister to address a joint session of both Houses of the Indian Parliament and to meet prominent Indian and British businessmen in Bombay where Mrs. Thatcher will make a speech on commercial and economic matters.

2. Mrs. Thatcher visited India in 1973 and again in 1976. She last met Mrs. Gandhi at Tito's funeral in May 1980. In recent months the Prime Minister has taken the initiative in seeking a close personal understanding with the Indian Prime Minister. Lord Greenhill visited Delhi as Mrs. Thatcher's personal emissary in September and conveyed an oral message. The two Prime Ministers have since exchanged letters.

3. The visit will provide a valuable opportunity to cement this personal relationship. This objective is important for our political and commercial interests in India, where Mrs. Gandhi personally decides all major issues. In taking decisions which affect foreign countries, for example on contracts for foreign firms, Mrs. Gandhi is, we believe, much influenced by her general perception of relations with the countries concerned. Indo/British relations have an underlying strength but they are under some strain inter alia because of Indian attitudes towards our immigration and race relations policies and suspicions about the Nationality Bill as well as differing views on some international issues. (The Prime Minister has already seen and commented separately on the Home Secretary's proposal for an increase in the quota for United Kingdom passport holders in India.)

4. Mrs. Thatcher's talks with Mrs. Gandhi and Indian Ministers will permit a substantial exchange on international political issues such as Afghanistan, Poland, the Gulf and the Arab/Israel question and on international economic issues

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in preparation for the Mexico Summit. British and Indian assessments of the role of the Soviet Union differ. In the Indian view, Indian interests require good relations with the Soviet Union. Suspicion of American policy runs deep and may have been reinforced by initial statements of the Reagan Administration about policy towards the Gulf and the Indian Ocean.

5. The visit will also provide an opportunity to develop our increasingly important commercial interests in India. While much work remains to be done on some items, we are hoping that it may be possible during the visit to conclude agreements relating to the award to British firms of a major steel contract and a thermal power station and to collaboration in the fields of coal, railways, science and technology, telecommunications and space research. The Department of Industry attach particular importance to these last two areas, although discussions on, for instance, space research may not have progressed sufficiently for any agreement to be signed during the visit. In the defence sales field there may be scope for discussion of a light combat aircraft project, but nothing is ripe for firm agreement except possibly the sale of Sea King helicopters.

6. I attach at Annex A a suggested outline of British and probable Indian objectives, and at Annex B a suggested list of briefs, the preparation of which will be co-ordinated by the Cabinet Office. I will arrange for these briefs to reach you by midday on Friday, 3rd April.

RIA

ROBERT ARMSTRONG

19th March, 1981

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ANNEX A

PRIME MINISTER'S VISIT TO INDIA
15th-19th APRIL 1981

UNITED KINGDOM OBJECTIVES

1. To cement the Prime Minister's personal relationship with Mrs. Gandhi.
2. To convince Mrs. Gandhi that Britain is an influential and sympathetic Western interlocutor and to encourage her to take a favourable view of Britain.
3. To demonstrate to Mrs. Gandhi the importance we attach to our relations with India and the value we see in a dialogue with India on international issues.
4. To advance British commercial interests in India substantially by concluding, where possible, memoranda of understanding or other forms of agreement relating to:
 - (a) A coastal steel plant.
 - (b) A thermal power station.
 - (c) Coal sector collaboration.
 - (d) Telecommunications collaboration.
 - (e) Railways collaboration.
 - (f) Science and technological collaboration.
 - (g) Collaboration over space research.
5. To advance the prospects for British defence sales.
6. To explain United Kingdom policy towards Asia and the Middle East, with particular reference to South and South West Asia, the Indian Ocean and the Arab/Israel issue.
7. Without challenging India's policy towards the Soviet Union, to convey our view of the dangers posed by Soviet policies for British, Western and non-aligned interests.

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8. To explain British policies on international economic relations in advance of the Mexico and Ottawa Summits, and to encourage India to adopt a more pragmatic approach on these issues.
9. To explain our aims in the area of race relations, immigration and nationality and to express concern at the apparent misunderstanding of these aims in India.
10. (If raised by the Indians) While making it plain that the Government cannot interfere with the British media, to discuss steps which can be taken to improve the presentation of India by the media to British public opinion.
11. To discuss preparations for the Festival of India to be held in Britain in 1982 and, possibly, to invite Mrs. Gandhi to pay an official visit to Britain in March 1982, to coincide with the opening of the Festival.

PROBABLE INDIAN OBJECTIVES

1. To persuade the Prime Minister that India's concept of non-alignment is the right basis for Indian foreign policy.
2. To obtain our reading of the United States Administration's policies and to urge the importance of putting detente back on course.
3. To explain Indian concern at recent developments in and around the Indian Ocean (including Afghanistan), to press the merits of Indian policy in the region (Pakistan, Afghanistan, China, South East Asia, Indian Ocean, Iran/Iraq) and draw as much credit as possible for their particular approach to the Afghanistan situation.
4. To probe United Kingdom and Western intentions in the Indian Ocean and towards Pakistan and China and to press the case for an Indian Ocean Peace Zone.
5. To urge a more generous British and Western attitude in discussions with the Third World and in particular to press for further access for Indian products to the European Community and other Western markets.
6. To maintain the improvement in bilateral relations and seek satisfaction for certain grievances, for example:-
 - (a) Imbalance in trade.
 - (b) Restrictions on specific Indian products.
 - (c) Larger annual entry quota for United Kingdom passport holders in India and possible amendments to the Nationality Bill.
 - (d) Unbalanced portrayal of India by British media.

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7. To seek the maximum possible United Kingdom bilateral aid commitment.
8. To expound Indian domestic problems.

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ANNEX B

LIST OF BRIEFS FOR THE PRIME MINISTER'S VISIT TO INDIA
15th-19th APRIL 1981

	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
1.	Steering Brief	FCO	Trade MOD
2.	East/West Relations (including Poland, arms control, detente)	FCO	
3.	Afghanistan	FCO	
4.	Iran/Iraq, the Gulf and the Indian Ocean	FCO	MOD
5.	Arab/Israel	FCO	
6.	Other Asian Questions (including Indo/Pakistan relations, South East Asia, China)	FCO	
7.	India and International Institutions	FCO	
	(a) The United Nations		
	(b) The NAM		
	(c) The Commonwealth		
8.	Relations with the Developing Countries (including the Brandt Report and prospects for the Mexico Summit)	FCO	Treasury
9.	Bilateral Aid	ODA	Trade Treasury
10.	Bilateral Trade	Trade	FCO
11.	Defence Sales	MOD	FCO

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	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
12.	Immigration/Nationality	Home Office	FCO
13.	Festival of India	FCO	British Council
14.	India: Internal Political and Economic (Background)	FCO	

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(1)

10 DOWNING STREET

Prime Minister - will have a
word with W.W.

We have already discussed this
& you were very firm that any
concession should be held back
until your meeting with Mrs
Bandri (& only made then if
absolutely necessary.)

All my instincts are that if
you are going to show flexibility at
any stage, it would be better to make
the gesture in advance. It will
certainly improve the atmosphere &
might tip the balance on the
various commercial deals the Indians will
be considering in the weeks before your
arrival.

Are you prepared to look at this
again?

And

GRS 370

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FM DELHI 100756Z MAR 81

TO ROUTINE FCO

TELEGRAM NUMBER 229 OF 17 MARCH.

FOLLOWING PERSONAL FOR COLES, SAD

IMMIGRATION AND THE PRIME MINISTER'S VISIT

1. RAJIV GANDHI CAME TO LUNCH TODAY AND DISCUSSED SEVERAL ASPECTS OF THE PRIME MINISTER'S VISIT. AS YOU KNOW, HE IS, WITH HIS MOTHER'S ENCOURAGEMENT, TAKING AN INCREASINGLY ACTIVE PART IN ADMINISTRATION AND POLITICS. HE IS MORE IMPORTANT THAN MOST CABINET MINISTERS. IN SPEAKING WITH ME HE DID NOT USE HIS MOTHER'S NAME EXPLICITLY, BUT HE FREQUENTLY SAID "WE" AND I HAVE NO DOUBT THAT HE WAS SPEAKING AFTER DISCUSSION WITH MRS GANDHI.

2. THE FIRST AND MAIN POINT WHICH RAJIV GANDHI MADE ABOUT THE PRIME MINISTER'S VISIT HAD TO DO WITH IMMIGRATION IN GENERAL AND THE UKPH POINT IN PARTICULAR. HE SHOWED HIMSELF SURPRISINGLY KNOWLEDGEABLE ABOUT THE NATIONALITY BILL. IN THE COURSE OF DISCUSSION HE ACCEPTED MY ASSURANCES THAT IT WAS TOTALLY NON-DISCRIMINATORY AND THAT IT WAS MORE LIBERAL THAN THAT OF MANY OTHER COUNTRIES. AT THE SAME TIME, HE ASKED THAT ONE OF HIS CONFIDANTS SHOULD BE BRIEFED IN DETAIL. I AM ARRANGING THIS.

3. THE MAIN POINT ON WHICH RAJIV GANDHI CONCENTRATED WAS THE NEED TO DO SOMETHING ABOUT THE UKPH PROBLEM BEFORE THE PRIME MINISTER'S VISIT. HE ACCEPTED THAT WE HAD POLITICAL PROBLEMS AND THAT THERE WAS NO QUESTION OF INCREASING THE OVERALL QUOTA FOR VOUCHERS ABOVE 5,000. BUT HE DID ASK THAT WE SHOULD FILL UP THE TOTAL QUOTA OF THE 5,000 ANNUALLY BY TAKING MORE FROM INDIA. HE WAS QUITE READY TO ACCEPT THAT THIS COULD MEAN A LENGTHENING OF THE QUEUES FOR OTHER CATEGORIES OF IMMIGRANTS. HE POINTED OUT THAT THE GOVERNMENT OF INDIA ALSO HAD A POLITICAL PROBLEM AND THAT THE NATIONALITY BILL IN GENERAL AND UKPH ISSUE IN PARTICULAR WERE VERY TOUCHY QUESTIONS IN THE INDIAN PARLIAMENT. UNTOWARD EVENTS DURING THE PRIME MINISTER'S SPEECH TO THE TWO HOUSES OF PARLIAMENT COULD NOT IN THESE CIRCUMSTANCES BE EXCLUDED. NOTHING WOULD DO MORE TO PROMOTE THE SUCCESS OF THE VISIT THAN A FAVOURABLE STATEMENT ABOUT UKPH IN ADVANCE OF IT.

4. THE TONE OF THE WHOLE CONVERSATION, INCLUDING THIS PART OF IT, WAS MARKEDLY FRIENDLY. WE AGREED TO COLLABORATE CLOSELY IN PREPARING THE VISIT. HOWEVER, IN MY JUDGEMENT THIS WILL BE IMPEDED IF IT BECOMES KNOWN THAT WE ARE IN REGULAR CONSULTATION. I HOPE THEREFORE THAT THIS TELEGRAM AND KNOWLEDGE OF THIS AGREEMENT CAN BE RESTRICTED ON A STRICTLY NEED TO KNOW BASIS.

THOMSON
LIMITED

HD/SAD PS/MR BLAKER
" MVD SIR J GRAHAM
PS MR DONALD
PS/LAS MR ADAMS

Copy to

Mr Alexander. No 10. ✓

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

India ^{ls}
16 March, 1981.

UK Passport Holders in India: the Voucher Quota

The Prime Minister has seen the Home Secretary's minute to her of 11 March on this subject and your letter to me of 13 March. The Prime Minister believes that, given the present unemployment figures in this country, the idea of increasing the voucher quota for UK passport holders in India is fraught with difficulties. She is not prepared for any action to be taken with the Indian Government in advance of her visit. However, she will be prepared, if Mrs. Gandhi raises the question with her, to indicate a willingness to see a modest increase in the quota. By this, the Prime Minister would mean, though she agrees that no indication could be given to Mrs. Gandhi about the precise figures, an increase from 600 to 800 heads of family per year, as recommended by the Home Secretary.

I am sending copies of this letter to John Halliday (Home Office) and David Wright (Cabinet Office).

M. O'D. B. ALEXANDER

R.M.J. Lyne, Esq.,
Foreign and Commonwealth Office.

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MM



(1)

10 DOWNING STREET

Prime Minister.

UKPIA

Mr Whitelaw & Lord Carrington agree that some increase in the voucher quota for U.K. Passport holders in India is possible. They disagree about the scale of the increase & the timing of any communication to the Indians: Mr Whitelaw advocates a move from 600 to 800, to be conveyed by you to Mrs Gandhi next month; Lord Carrington a move from 600 to 1200, some indication of our willingness to be conveyed at once.

I am sure Lord Carrington is right about the timing & handling of any offer. There is no point in delay. Agree?

As regards the scale of the move, an obvious compromise would be to go to 1000. But this is v. much a matter of political judgement.

And



Foreign and Commonwealth Office

London SW1A 2AH

13 March 1981

Dear Michael,

Voucher Quota for United Kingdom Passport Holders in India

The Foreign and Commonwealth Secretary has seen the Home Secretary's minute of 12 March to the Prime Minister. Lord Carrington agrees that we must decide how to respond to Indian concern about the rate of admission to the United Kingdom of United Kingdom passport holders in India, bearing in mind particularly the visit by the Prime Minister to India next month.

The increasing waiting-time facing applicants for vouchers in India and the fact, which can be deduced, that the number of vouchers being issued elsewhere has substantially fallen, have led to a mounting campaign in India for an increased allocation. We know that Mrs Gandhi is personally concerned about this. The High Commissioner in New Delhi was recently summoned to the Ministry of Foreign Affairs on this subject - the first time he has been sent for on an immigration issue. Mrs Gandhi mentioned her worries to Mr Ramphal during his recent visit to New Delhi. Indian sources have expressed their concern that the atmosphere for the Prime Minister's visit to India may be spoilt.

Immigration and nationality issues are always sensitive in the context of Indo/British relations. They are particularly sensitive at the moment, not just because of the UKPH issue but also because of Indian worries about the Nationality Bill. Some of this sensitivity surfaced during the Prince of Wales's visit to India last November when there were one or two demonstrations about immigration matters. We naturally want to avoid a repetition during the Prime Minister's visit.

We are particularly concerned that controversy over these matters may adversely affect our efforts to negotiate in time for the Prime Minister's visit a major package of commercial agreements with the Indians. Our judgment is that Mrs Gandhi's decisions on major contracts are affected by her perception of relations with the potential beneficiary countries. Moreover, it is more difficult for her to be seen to be developing closer relations with the United Kingdom if some

/aspect



aspect of our policy is under fire in the Indian Parliament and press, which is the case at present with immigration and nationality issues.

We have no doubt that we must resist - and firmly - Indian representations on the Nationality Bill. The issues that arise are largely matters of domestic concern over which no foreign country can claim a droit de regard. The UKPH issue, involving as it does Citizens of the UK, is different. There people were taken into India as a temporary measure to ease our problems of resettlement when they left East Africa, the majority having been expelled by Amin from Uganda. At that time, HMG gave assurances that they would in due course be admitted to the United Kingdom. Mrs Gandhi will remember that as Prime Minister of India she was given this assurance personally.

If we could make a concession over UKPH it would strengthen our hand in the tough line we must take on the Nationality Bill and would also have a good chance of defusing official Indian concern about this whole area of policy. But to achieve that the concession must be significant and sufficient to make an early impact on the length of waiting time for UKPH applicants (now 5½ years). Lord Carrington considers that an increase only of from 600 to 800 vouchers a year would be inadequate for that purpose. The exact figure would not of course be revealed to the Indians, but as the Home Secretary states, an increase of 200 would have no immediate impact on waiting times which would continue to rise and would reach 7½ years, so that the inadequacy of the adjustment would soon become clear. The alternative to which the Home Secretary refers, a doubling of the quota from 600 to 1200, is in Lord Carrington's view the minimum concession which would be of value. Even then the waiting time would rise to 6 years and not begin to decline until 1984.

As to the timing of a concession, it is our view that something needs to be said to the Indians very soon, with the dual objective of defusing the issue before the Prime Minister arrives in India (it is not really a matter on which we think the two Prime Ministers should spend time) and creating the best possible atmosphere for the negotiations which are now under way with the Indians in respect of the commercial package.

Lord Carrington therefore suggests that we should instruct our High Commissioner in the near future to say, perhaps to Mrs Gandhi personally, that you have looked into the matter and have decided that the rate of admission of UKPH from India should be increased. He agrees with the Home

/Secretary



Secretary that the Indian Government should not be told the size of the increase nor of the present quota but believes we should enable them to say, eg in the Indian Parliament, that they understand HMG have decided upon an increase in the quota. The Indians should be told, as the Home Secretary suggests, that we would expect them to continue to cooperate with us in the operation of the scheme. If Mrs Gandhi then raises the matter with the Prime Minister, Mrs Thatcher could explain our decision in a little more detail, though again without going into figures. But we would hope that the need for this further discussion could be avoided.

The Home Secretary's minute refers to the risk of a reaction in the East African states. We are inclined to doubt whether there will be a reaction. The number of vouchers available in East Africa has proved to be more than enough to meet the requirement (of an allocation of 2000 vouchers to Kenya in 1980, only 356 were issued).

I am sending copies of this letter to Mr Halliday (Home Office) and Barry Hilton (Cabinet Office).

yours ever
R M J Lyne

(R M J Lyne)
Private Secretary

M O'D B Alexander Esq
10 Downing Street

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India



Sir Peter Carey KCB
Permanent Secretary

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 7005
SWITCHBOARD 01-212 7676

13 March 1981

Sir Michael Palliser GCMG
Foreign & Commonwealth Office
London SW1A 2AH

h.c.
Rmt

Dear Michael,

PRIME MINISTER'S VISIT TO INDIA: 15-19 APRIL

Thank you for your letter of 10 March. I am content with the statement of overall objectives of the visit and that the briefing should be co-ordinated by Cabinet Office.

I note that it is intended that the Prime Minister should use her visit to see if agreements can be concluded in a number of areas of commercial and industrial interest. I attach particular importance to collaboration in telecommunications and space research. Much work has already been undertaken in both areas, although we may not be sufficiently far forward to stand a real prospect of clinching anything on space matters during the visit.

We are ready to contribute as necessary to the briefing, particularly brief 10. In addition, I would ask that we be given an early opportunity to see briefs 2,8 and 11 in draft form so that we may consider whether an input would be appropriate.

Yours ever,

Peter
Peter Carey

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We shall be in health here if we materially increase the quota. 2 1/2 million - were legal in not to have to increase immigration and, unlike W. Germany - France is coming - France is away when jobs get difficult - not.

PRIME MINISTER

YOUR VISIT TO INDIA
VOUCHER QUOTA FOR UNITED KINGDOM PASSPORT
HOLDERS IN INDIA

There are an estimated 39,000 of our passport holders and dependants in India whose entry to the United Kingdom is regulated by a special voucher scheme. These are some of the so-called "UKPH". They were made subject to immigration control by the Commonwealth Immigrants Act 1968, but the special position of UKPH in East Africa was recognised and the voucher scheme was set up so as to allow them to come and settle in the United Kingdom at a controlled rate. The global quota is 5,000 heads of household a year. Most of it is allocated to Kenya, Tanzania and Malawi; 600 are allocated to India.

In recent years the global quota has not been fully taken up because fewer people have applied in East Africa. In India, however, where many UKPH went from East Africa, the demand for vouchers has until recently exceeded the allocation of 600 a year. Those now receiving vouchers have waited over five years, and it is estimated that waiting times could rise to 9 1/2 years if the allocation to India is not increased, although the actual number of people in the queue is now decreasing.

The Indian High Commission have expressed concern about the delays and there has been criticism in the Indian press. The Indian Government have so far taken a moderate position, but it is said that Mrs. Gandhi has come under pressure from Indian M.Ps from Gujerat and Madras, where most of our passport holders are. She may, therefore, ask you to increase the quota. Apart from the pressure from the Indians, it would be embarrassing for us if the waiting time increased greatly above five years.

The price of increasing the Indian quota is an increase in the settlement figures. The total settlement figures for 1980 (69,900) were only just above those for 1979 (69,700) despite the admission of the Vietnamese refugees. The number coming from the New Commonwealth and Pakistan continued to fall (33,700 in 1980; 37,000 in 1979). If entry clearance officers were diverted from entry clearance work to issue the extra vouchers there might be some off-setting reduction in numbers, but we believe there would still be a net increase in the settlement figures of between two and three times the number of extra vouchers. This would come at a time when we would otherwise hope to be able to point to a drop in the total, as the effects of last year's changes in the Immigration Rules began to work through. Moreover, any increase in the number of voucher holders would be identifiable as a separate category.

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2.

If we increase the Indian quota there is some risk of a reaction in the East African States. There are at present some signs of stirring against our passport holders in Kenya.

Although the global quota of 5,000 vouchers has been published, successive Administrations have refused to disclose the allocations to individual countries, in order to provide maximum flexibility and reduce the risk of unsettling the States concerned. If the Indian quota were increased the Indians could not be told the size of the increase (nor, of course, the size of the present quota).

If the quota were doubled from 600 to 1,200 we estimate that this would increase the settlement figures by between 1,200 and 1,800 a year. The waiting period would rise to a maximum of about six years and begin to decline in 1984. A more modest increase of 200 a year might increase the settlement figures by between 400 and 600 a year. There would be no immediate impact on waiting times, which would continue to rise, but we estimate the maximum time would be about 7½ years instead of 9½ years.

You may wish to consider before your departure whether any increase should be made in the Indian quota. I recommend that we should not offer any increase in advance of your visit. However if the matter is raised with you by Mrs. Gandhi you may judge it desirable to concede a modest increase of, say, 200 (the precise figure not being disclosed) notwithstanding the effect on the settlement figures. Any concession on this point might be linked with an undertaking by the Indians to show goodwill in the operation of the scheme. ?

I am sending a copy of this minute to the Foreign and Commonwealth Secretary and to Sir Robert Armstrong.

hslw

11. March 1981

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Foreign and Commonwealth Office

London SW1A 2AH

10 March 1981

Sir Robert Armstrong KCB CVO
CABINET OFFICE

NBPN

RM 11/3

Dear Robert,

PRIME MINISTER'S VISIT TO INDIA: 15 - 19 APRIL

1. The Prime Minister will visit India from 15 to 19 April. Mrs Thatcher will have a private talk with Mrs Gandhi in New Delhi and will also see her during two dinner engagements. She will have two sessions of formal talks with Mrs Gandhi and accompanying Indian Ministers and will receive the Indian Foreign Minister. The programme also provides for the Prime Minister to address a joint session of both Houses of the Indian Parliament and to meet prominent Indian and British businessmen in Bombay where Mrs Thatcher will make a speech on commercial and economic matters.
2. Mrs Thatcher visited India in 1973 and again in 1976. She last met Mrs Gandhi at Tito's funeral in May, 1980. In recent months the Prime Minister has taken the initiative in seeking a close personal understanding with the Indian Prime Minister. Lord Greenhill visited Delhi as Mrs Thatcher's personal emissary in September and conveyed an oral message. The two Prime Ministers have since exchanged letters.
3. The visit will provide a valuable opportunity to cement this personal relationship. This objective is important for our political and commercial interests in India, where Mrs Gandhi personally decides all major issues. In taking decisions which affect foreign countries, for example on contracts for foreign firms, Mrs Gandhi is, we believe, much influenced by her general perception of relations with the countries concerned. Indo/British relations have an underlying strength but they

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are under some strain inter alia because of Indian attitudes towards our immigration and race relations policies and suspicions about the Nationality Bill as well as differing views on some international issues.

4. Mrs Thatcher's talks with Mrs Gandhi and Indian Ministers will permit a substantial exchange on international political issues such as Afghanistan, Poland, the Gulf and the Arab/Israel question and on international economic issues in preparation for the Mexico Summit. British and Indian assessments of the role of the Soviet Union differ. In the Indian view, Indian interests require good relations with the Soviet Union. Suspicion of American policy runs deep and may have been reinforced by initial statements of the Reagan Administration about policy towards the Gulf and the Indian Ocean.

5. The visit will also provide an opportunity to develop our increasingly important commercial interests in India. While much work remains to be done on some items we are hoping that it may be possible during the visit to conclude agreements relating to the award to British firms of a major steel contract and a thermal power station and to collaboration in the fields of coal, telecommunications, railways, science and technology and space research. In the defence sales field there may be scope for discussion of a light combat aircraft project, but nothing is ripe for firm agreement except possibly the sale of Sea King helicopters.

//
/ 6. I attach at Annexes A and B a suggested outline of British and probable Indian objectives, and at Annex C a suggested list of briefs, the preparation of which might, if you and other recipients agree, be coordinated by the Cabinet Office.

Tomson

Michael

Michael Palliser

/cc

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cc:

Sir Douglas Wass GCB
HM TREASURY

Sir Kenneth Clucas KCB
DEPARTMENT OF TRADE

Sir Peter Carey KCB
DEPARTMENT OF INDUSTRY

Sir Brian Cubbon KCB
HOME OFFICE

Sir Peter Preston KCB
OVERSEAS DEVELOPMENT ADMINISTRATION

M O'D B Alexander Esq
10 DOWNING STREET



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PRIME MINISTER'S VISIT TO INDIA:
15 - 19 APRIL 1981

UNITED KINGDOM OBJECTIVES

1. To cement the Prime Minister's personal relationship with Mrs Gandhi.
2. To convince Mrs Gandhi that Britain is an influential and sympathetic Western interlocutor and to encourage her to take a favourable view of Britain.
3. To demonstrate to Mrs Gandhi the importance we attach to our relations with India and the value we see in a dialogue with India on international issues.
4. To advance British commercial interests in India substantially by concluding, where possible, memoranda of understanding or other forms of agreement relating to:
 - a coastal steel plant
 - a thermal power station
 - coal sector collaboration
 - telecommunications collaboration
 - railways collaboration
 - science and technological collaboration
 - collaboration over space research
5. To advance the prospects for British defence sales.



6. To explain United Kingdom policy towards Asia and the Middle East, with particular reference to South and South West Asia, the Indian Ocean and the Arab/Israel issue.
7. Without challenging India's policy towards the Soviet Union, to convey our view of the dangers posed by Soviet policies for British, Western and non-aligned interests.
8. To explain British policies on international economic relations in advance of the Mexico and Ottawa Summits, and to encourage India to adopt a more pragmatic approach on these issues.
9. To explain our aims in the area of race relations, immigration and nationality and to express concern at the apparent misunderstanding of these aims in India.
10. (If raised by the Indians) While making it plain that the Government cannot interfere with the British media, to discuss steps which can be taken to improve the presentation of India by the media to British public opinion.
11. To discuss preparations for the Festival of India to be held in Britain in 1982 and, possibly, to invite Mrs Gandhi to pay an official visit to Britain in March 1982, to coincide with the opening of the Festival.



PRIME MINISTER'S VISIT TO INDIA:
15 - 19 APRIL 1981

POSSIBLE INDIAN OBJECTIVES

1. To persuade the Prime Minister that India's concept of non-alignment is the right basis for Indian foreign policy.
2. To obtain our reading of the United States' Administration's policies and to urge the importance of putting detente back on course.
3. To explain Indian concern at recent developments in and around the Indian Ocean (including Afghanistan), to press the merits of Indian policy in the region (Pakistan, Afghanistan, China, South-East Asia, Indian Ocean, Iran/Iraq) and draw as much credit as possible for their particular approach to the Afghanistan situation.
4. To probe United Kingdom and Western intentions in the Indian Ocean and towards Pakistan and China and to press the case for an Indian Ocean Peace Zone.
5. To urge a more generous British and Western attitude in discussions with the Third World and in particular to press for further access for Indian products to the European Community and other Western markets.



6. To maintain the improvement in bilateral relations and seek satisfaction for certain grievances, for example:-

- (a) imbalance in trade;
- (b) restrictions on specific Indian products;
- (c) larger annual entry quota for United Kingdom passport holders in India and possible amendments to the Nationality Bill;
- (d) unbalanced portrayal of India by British media.

7. To seek the maximum possible United Kingdom bilateral aid commitment.

8. To expound Indian domestic problems.



LIST OF BRIEFS FOR THE PRIME MINISTER'S
VISIT TO INDIA: 15 - 19 APRIL 1981

	<u>Subject</u>	<u>Lead Dept</u>	<u>In consult- ation with</u>
1.	Steering brief	FCO	DOT, MOD
2.	East/West Relations (including Poland, arms control, detente)	FCO	
3.	Afghanistan	FCO	
4.	Iran/Iraq, the Gulf and the Indian Ocean	FCO	MOD
5.	Arab/Israel	FCO	
6.	Other Asian questions (including Indo/Pakistan relations, South East Asia, China)	FCO	
7.	India and International Institutions	FCO	
	(a) the UN		
	(b) the NAM		
	(c) the Commonwealth		
8.	Relations with the develop- ing countries, including the Brandt Report and prospects for the Mexico Summit	FCO	Treasury
9.	Bilateral Aid	FCO (ODA)	DOT, Treasury

ANNEX C (cont)

	<u>Subject</u>	<u>Lead Dept</u>	<u>In consultation with</u>
10.	Bilateral Trade	DOT	FCO
11.	Defence Sales	MOD	FCO
12.	Immigration/Nationality	Home Office	FCO
13.	Festival of India	FCO	British Council
14.	India: internal political and economic (background)	FCO	

010



Prime Minister

Ray / confirm the point at 'A' below?

Paul - 6/3

Foreign and Commonwealth Office
London SW1A 2AH

Yes
no 6 March 1981

Dear Michael,

Burmah Oil and the Prime Minister's Visit to India

Burmah Oil have been in dispute with the Indian Government since 1978 over negotiation of compensation payments for the company's nationalised assets. Some £14m is at stake. Despite repeated representations by the High Commission in Delhi and by Ministers and senior officials in London there is still no clear sign of the issue being settled.

Mr P C Sethi, who has been Petroleum Minister in India since October 1980, recently indicated that he hoped to see the problem solved by March or April. We have heard this sort of prediction before and doubt whether anything will happen unless political pressure is maintained. We therefore have it in mind to instruct the High Commissioner in Delhi to tell the Indian Government that we hope the dispute will be settled before or at latest during the Prime Minister's visit.

Mr Maltby, the Main Board Director of Burmah Oil responsible for their business in India, has mentioned to us that although Mr Denis Thatcher is no longer a Director of Burmah Oil Trading, he nevertheless sits on the boards of some Burmah Oil subsidiaries. Although Mr Thatcher's connections with the Company are thus limited, it is possible that they will be the subject of comment in eg the Indian press, particularly if it becomes known that the dispute has been raised in connection with the Prime Minister's visit.

A

Our own view is that there is no reason not to continue to press for the settlement of a dispute on which periodic representations have been made since 1978. But we should be grateful if you would confirm that there is no objection to the course of action which we have in mind.

Yours ever
Robin Lyne

(R M J Lyne)
Private Secretary

M O' D B Alexander Esq
10 Downing St

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*This is a copy. The original
has been extracted and
closed, 40 years.*



Foreign and Commonwealth Office

London SW1A 2AH

L. N. M.

3 March 1981

Dear Michael,

Sword of Shivaji

You asked for a note about Indian interest in a sword which is in the Royal collection at Buckingham Palace. The sword was presented as a gift in 1875 and is the property of Her Majesty The Queen. There is a belief in India that it is the Sword of Chhatrapati Shivaji who led Mahratta campaigns against the Moghul emperors in the 17th century. But informed opinion suggests that the sword is of a later date than the 17th century. The genuine Sword of Shivaji would be a popular and powerful symbol of Mahratta national identity. Various swords have been claimed as the original. The return of the Buckingham Palace sword would undoubtedly please the Indians, particularly those in the State of Maharashtra, the old Mahratta homeland.

Mr Antulay, the Chief Minister of Maharashtra, saw Mr Peter Blaker, FCO Minister of State, and the Lord Chamberlain in London on 1 December 1980 to seek the return of the Sword. This was the first approach from the Indians on this matter. He was told that since the Sword is in the Royal collection, the Indian Government should make a formal approach in writing to Buckingham Palace if they wanted to pursue its possible return. *

Mr Antulay is well placed within Mrs Gandhi's Congress I party to persuade politicians in central government in Delhi to lend weight to his representations but as yet we have received no other approaches. *

* ~ * *Passages deleted and
closed, 40 years, under
FOI Exemption.*

*yours ever
Rodric Lyne*

*Wayland
13.9.11*

(R M J Lyne)
Private Secretary

M O' D B Alexander Esq
10 Downing Street
LONDON

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Pind
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GRS 130
CONFIDENTIAL
FM DELHI 030815 APR 81
TO PRIORITY FCO
TELEGRAM NUMBER 324 OF 3 MARCH.

YOUR TEL NO 256, PARA 9: BURMAH OIL

1. WE HAVE NOW SPOKEN TO THE MINISTRY OF PETROLEUM, WHO SAY THAT IT IS THEIR INTENTION TO BEGIN NEGOTIATIONS WITH BURMAH OIL EARLY IN MAY (RAWLEY HAS BEEN TOLD THIS ALSO). THE ONLY PRIOR STEP WHICH, ACCORDING TO THE MINISTRY, HAS STILL TO BE TAKEN IS FOR THE RESPONSIBLE MINISTERIAL COMMITTEE TO APPROVE A PAPER WHICH SEEKS AUTHORITY TO DE-LINK THE TWO ISSUES OF THE ASSAM OIL ASSETS, AND THE HOLDINGS IN OIL INDIA. THE MINISTRY EXPECT THIS PAPER TO BE APPROVED WITHIN THE NEXT FEW DAYS.

2. WE HAVE URGED STRONGLY ON THE MINISTRY THE DESIRABILITY THAT A FIRM INVITATION TO BEGIN NEGOTIATIONS BEFORE THE PRIME MINISTER'S VISIT. THEY PROFESS TO AGREE WITH THIS AND THAT THEY WILL DO THEIR BEST TO ACHIEVE IT.

THOMSON

LIMITED

SAD
PS
PS/LPS
PS/MR BLAKER
PS/PUS
SIR J GRAHAM
MR DONALD

COPIES TO:

MR ALEXANDER, NO 10 DOWNING STREET.

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India

GRS 320
RESTRICTED
FM DELHI 050415Z FEB 81
TO PRIORITY FCO
TELEGRAM NUMBER 81 OF4 FEBRUARY.
INFO PRIORITY ODA, DOT (FOR PEP)

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Lg
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PRIME MINISTER'S VISIT: MOU ON SCIENCE AND TECHNOLOGY

1. IT WAS AGREED DURING TALKS WITH THE INDIANS IN DECEMBER ON TECHNICAL COOPERATION THAT COLLABORATIVE RESEARCH ACTIVITIES ON NATURAL RESOURCES, SCIENCE AND TECHNOLOGY SHOULD BE BROUGHT TOGETHER UNDER A MOU ON SCIENCE AND TECHNOLOGY, WHICH WOULD BE OPERATED BY THE BRITISH COUNCIL ON THE BRITISH SIDE.
2. AS PART OF OUR CONSIDERATION OF CONTRACTS AND AGREEMENTS WHICH COULD BE BROUGHT TO FRUITION AT THE TIME OF THE PRIME MINISTER'S VISIT, WE THINK WE SHOULD CONSIDER WHETHER, AND IF SO HOW, FORMAL RECOGNITION COULD BE GIVEN TO THE MOU DURING MRS THATCHER'S VISIT (SIGNATURE OF THE MOU ISN'T STRICTLY NECESSARY, BUT COULD PROBABLY BE ARRANGED). IF A MOU ON SCIENCE AND TECHNOLOGY (WHICH WOULD NOT INVOLVE MORE THAN ABOUT £1 MILLION) IS NOT CONSIDERED SUBSTANTIAL ENOUGH BY ITSELF, WE MIGHT CONSIDER INCLUDING IT IN A PACKAGE OF MOUS, COVERING FOR INSTANCE THE COAL SECTOR, THERMAL POWER AND PERHAPS EVEN SPACE (ON WHICH I AM TELEGRAPHING SEPARATELY).
3. WE WILL NEED VERY SOON TO PUT TO THE MEA OUR IDEAS ON WHAT AGREEMENTS/MEMORANDA WE WANT SIGNED DURING THE PRIME MINISTER'S VISIT, AND IT WILL BE DIFFICULT TO CARRY THINGS MUCH FURTHER UNTIL WE CAN GAUGE THEIR REACTIONS. BUT, MEANWHILE, IT MAY BE SENSIBLE TO PUT DOWN A MARKER WITH THE INDIANS ABOUT THE MOU ON SCIENCE AND TECHNOLOGY DURING NEXT WEEK'S AID TALKS.
4. PERHAPS THE MOST IMPRESSIVE RESULT OF SCIENTIFIC AND TECHNICAL COLLABORATION WITH THE INDIANS SO FAR IS A HYDRAULIC EXTRUSION PRESS PRESENTED TO THE PRESTIGIOUS NATIONAL PHYSICAL LABORATORY IN DELHI AT A COST OF £ HALF MILLION. IF A MOU ON SCIENCE AND TECHNOLOGY WERE SIGNED DURING THE PRIME MINISTER'S VISIT, IT MIGHT BE POSSIBLE, TO ARRANGE FOR THE PRESS TO BE INAUGURATED DURING THE VISIT OR IF HER PROGRAMME IS TOO TIGHT JUST BEFORE IT.

THOMSON

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PS/MR BLAKE
PS/PUS
SIR J GRAHAM
MR DONALD

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No. 10 DOWNING STREET

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FILE

R H

India

2 February 1981

I enclose copies of an exchange of
correspondence between the Prime Minister and
Mr John Wilkinson, MP.

M. O'D. B. ALEXANDER

R Lyne, Esq
Foreign and Commonwealth Office



RH

cc 720

10 DOWNING STREET

THE PRIME MINISTER

2 February 1981

Dear John,

Thank you for your letter of 27 January about my visit to India.

I was interested to hear about the proposal for the establishment of town-twinning links between Hillingdon and Amritsar. It was very thoughtful of you to promote this venture and it will be good for our Anglo-Asian Society. There is a wealth of goodwill between the people of Britain and India, and you have chosen an excellent way to demonstrate it. I will try and find an occasion to refer to this initiative.

Yours sincerely

Raymond

John Wilkinson, Esq., M.P.

—

JS

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10 DOWNING STREET

From the Private Secretary

30 January 1981

Ken Robinson,

Prime Minister's Visit to India

The Indian Deputy High Commissioner, Dr. I.P.C. Singh, called on me this afternoon. He said that he had just returned from leave in India, during which he had seen both Mrs. Gandhi and Mr. Rao, the Indian Foreign Minister. In the light of these discussions he thought it would be useful to mention three points which might be relevant to the Prime Minister's forthcoming (and keenly awaited) visit to India.

During his meetings in London next week, Dr. Chanana would certainly wish to discuss the possibility of co-operation between British Leyland and Maruthi, the manufacturers of the Indian "people's car". Because of the involvement of her son Sanjay, Mrs. Gandhi was determined that the people's car should be a success. Dr. Chanana, the responsible Minister, had previously been inclined to favour co-operation with Renault. However, the success of the Metro had given rise to second thoughts in India. Dr. Singh thought that it would be helpful if Dr. Chanana was able to explain the situation to the Prime Minister (I was able to assure him that a meeting had already been arranged). More importantly, he thought that it would make a great deal of difference to British Leyland's chances of success if it were to prove possible to allocate some of our grant aid to India to the project. Its total value would amount eventually to some 3 billion rupees. The present negotiations over the steel mill contract provided a precedent for the use of aid in this sort of context.

Dr. Singh said that Mrs. Gandhi was being forced to take an interest in the question of the rate of entry of Indians of African origin, i.e. voucher holders, into this country. The Indian Government had no quarrel with HMG about the principles underlying the programme, nor about the way it was handled in the Nationality Bill. However, the provision in the Nationality Bill that the children of East African Indian parents would lose the status of British overseas citizens when their parents died was causing concern. At the present rate of entry it would be another

/ 15 or 16 years

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- 2 -

15 or 16 years before the 6-8,000 families at present in India reached this country. Mrs. Gandhi was coming under pressure from MPs from Gujerat and Madras, where most of the affected families lived. It would undoubtedly have a significant impact on the success of the Prime Minister's visit to India if something could be done to increase the rate of entry.

Dr. Singh confirmed the point made in the Secretary of State for Trade's minute to the Prime Minister of 27 January that Indian sensitivity as a result of a recent BBC report on the inflammability of cotton fabrics is acute. Mrs. Gandhi herself had been upset. Dr. Singh acknowledged that the BBC had issued a correction and that there was nothing that HMG could do at this stage. However, he seemed to hope that some way could be found to assuage Mrs. Gandhi's feelings.

I gave Dr. Singh no undertakings on any of the points raised above beyond saying that I would ensure they were brought to the notice of those concerned.

I am sending copies of this letter to John Halliday (Home Office), Stuart Hampson (Department of Trade), Ian Ellison (Department of Industry) and David Wright (Cabinet Office).

Yours ever

Richard Alexander

R. M. J. Lyne, Esq.,
Foreign and Commonwealth Office.

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From: JOHN WILKINSON, M.P.
(Ruislip - Northwood)



HOUSE OF COMMONS
LONDON SW1A 0AA

27 January 1981

R28

Dear Prime Minister,

YOUR VISIT TO INDIA

As Chairman of the Anglo Asian Conservative Society I am obviously keen that we should be able to obtain the maximum political benefit from your visit to India, which is due to take place in April. It is possible that the political controversy over the passage of the BRITISH NATIONALITY BILL will lead to some emotive comment in both the Indian press and the immigrant press in this country.

In these circumstances the timing of your visit is especially helpful and you might well be interested to know that the London Borough of Hillingdon, which has Heathrow Airport within its boundaries and of which I represent one of the parliamentary constituencies, has initiated contacts with Amritsar in Punjab Province with a view to establishing town-twinning links.

The Chairman of our newly formed Hillingdon Borough branch of the Anglo Asian Conservative Society has been active in promoting this venture which now has the support of the Borough Third World town-twinning committee which is an official sub-committee of the Borough's own town-twinning committee.

The Chairman of the Third World town-twinning committee is going out to Amritsar this week and I myself have met the Member of the Lokh Sabha for Amritsar on his way back from the United Nations and discussed the project with him. The M.P. for Amritsar gave the idea his strong verbal support, and as most of the Asians resident in Hillingdon, particularly in the southern part of the Borough are from Punjab, this particular town-twinning scheme would have great merit.

If you were able during the course of your discussions in India to mention the fact that this town-twinning project between a London borough and a famous and historic Indian city was being pursued as evidence of the goodwill that exists between the peoples of the two countries, it could only do good.

Yours sincerely
John

JOHN WILKINSON

The Rt. Hon. Margaret Thatcher, M.P.,
Prime Minister,
10 Downing Street,
LONDON, S.W.1.



India.

OVERSEAS DEVELOPMENT ADMINISTRATION
ELAND HOUSE
STAG PLACE LONDON SW1E 5DH

Telephone 01-213 5409

From the Minister

22 January 1981

La. Hunt 23/1

Dear Michael,

Thank you for your letter of 16 January enclosing one to the Prime Minister from Mr A S Cromarty of HRU-Heat Recovery Units Ltd about the Prime Minister's forthcoming visit to India.

The facts are, briefly, that the Government of India asked in 1978 for our assistance for a seed bank (or national repository of plant germ-plasm, as it is more formally called). We appointed Mr Cromarty, an engineer, - as he does not say in his letter to the Prime Minister - to work out details with the Indians and a project costing us about £300,000 was put forward in 1979. Delays since then have been entirely on the Indian side and caused by disputes about the siting. Through visits by ODA officials, we have been prodding the Indians hard to put forward a firm request, as we - and indeed they - think the scheme very worthwhile.

Although we should welcome any move which pushed this scheme forward, the difficulty derives from Indian domestic disputes, and the comparative smallness of this project would not, in our view, justify advising the Prime Minister or a member of her party to raise it in April.

*Yours etc,
Alan Burner*

(E A Burner)
Private Secretary

Michael Alexander Esq
10 Downing Street



RS
Mr. A. CROMARTY

10 DOWNING STREET
6/2

From the Private Secretary

16 January 1981

I enclose a copy of a letter which the Prime Minister has received from Mr. Cromarty, about the forthcoming visit to India.

I have acknowledged Mr. Cromarty's letter and no further action in his regard would seem to be required. But it would be helpful if you could let me know whether or not this is a point which the Prime Minister or a member of her party could usefully raise during the visit.

MA

Miss Susan Unsworth,
Overseas Development Administration.

16 January 1981

I am replying on the Prime Minister's behalf to your letter to her of 15 January. As you will understand, the agenda for the Prime Minister's visit to India will be very crowded. However, I will ensure that the point you have raised is borne in mind.

MA

A.S. Cromarty, Esq.



HRU - HEAT RECOVERY UNITS LTD.

ST JOHNS ROAD . MORTIMER . BERKS . RG7 1TR

Telephone . 0734 - 333364

Your Ref:

Our Ref:

Date: 15th Jan. 1981.

10, Downing ST.
London SW1.

Dear Prime Minister,

I only make this approach with reticence because of your present burden, however, I understand that you visit India this Spring and might be able to help in respect to the following:-

Briefly, you will appreciate that we survive as a race by virtue of cereals grains that have developed over thousands of years by natural selection and more recently by genetic engineering. Distribution of high yield modern strains is progressively contaminating the ancient genetic resource and there is a World wide race on to collect and save old types of cereals to act as a foundation for the future. Research work pioneered in this country by Prof. Eric Roberts at Reading University has shown that seed remains viable for several hundred years if cooled to -20°C , the temperature of your domestic deep-freeze. This means that one can collect rapidly and assess at leisure. Infact a chain of Seed Banks has been established around the World for this purpose with the help of FAO and other interested bodies.

About three years ago the Indian Government, via the Council

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for Agricultural Research, approached ODA/ODM for help in establishing a Seed Bank - The National Respository of Plant Germplasm - near New Delhi. The facility would be based on a fairly conventional Coldstore with most of the equipment being supplied from this country. Currently the Indian National Bureau for Plant Genetic Resources have totally inadequate facilities but I understand that ODA have offered a small mobile Coldstore as a temporary measure and training Unit to get the project going.

Unfortunately the entire project has all but ground to a halt because of local problems and one feels that a nudge of the tiller would bring the ship under sail once more. It seems to me that you are very experienced with sailing through troubled waters and that you might care to give the Indians a compass to guide their way. There would be some advantage if this project was finished within the next eight years.

Yours very sincerely,

Adam S. Cromarty.

A S Cromarty.

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FM DELHI 141030Z JAN 80

TO IMMEDIATE DOT (FOR SIR K CLUCAS)

TELEGRAM NUMBER CREDATA 23 OF 14 JANUARY.

INFO IMMEDIATE FCO, DOI (FOR SIR P CAREY), ODA (FOR SIR P PRESTON)
INFO PRIORITY BOMBAY, CALCUTTA AND MADRAS (ALL ACTIONED)

VISITS BY THE SECRETARY OF STATE FOR TRADE AND THE PRIME MINISTER

1. THE FORTHCOMING VISITS BY THE SECRETARY OF STATE FOR TRADE NEXT WEEK AND BY THE PRIME MINISTER IN MID-APRIL ARE POTENTIALLY OF GREAT COMMERCIAL IMPORTANCE. I SEE THE TWO VISITS AS PART OF A COORDINATED STRATEGY, ONE LEADING UP TO THE OTHER. IT WOULD BE WRONG TO SAY THAT ANY OBJECTIVE WHICH WE FAIL TO ACHIEVE IN THESE TWO VISITS WILL NEVER BE ACHIEVED, BUT AT THE SAME TIME WE MAY NOT HAVE A BETTER OPPORTUNITY COMMERCIALY FOR YEARS TO COME.

2. WE ARE APPROACHING THE CULMINATING POINT OF A THREE YEAR CAMPAIGN. WE HAVE RECOVERED SUBSTANTIALLY FROM A POSITION IN WHICH BRITISH BUSINESS IN GENERAL WAS UNWILLING TO LOOK SERIOUSLY AT INDIA AND IN WHICH CONVERSELY THE INDIANS LOOKED AT US AS UNRELIABLE AND UNINTERESTED PARTNERS. IN 1977/78 OUR EXPORTS TO INDIA WERE £278 MILLION AND WE HAD AN ADVERSE BALANCE OF TRADE. IN 1980/81 THEY ARE LIKELY TO AMOUNT TO AT LEAST £550 MILLION AND THE SIZE OF OUR POSITIVE BALANCE IS BEGINNING TO BE SEEN AS A PROBLEM BY THE INDIANS.

3. EVERYTHING IN INDIA IS AT ROOT POLITICAL AND MRS GANDHI DOMINATES INDIAN POLITICS. IT IS EXTREMELY IMPORTANT FOR OUR COMMERCIAL PROSPECTS (THE PUBLIC SECTOR DOMINATES OVER THE PRIVATE SECTOR OF THE CONOMY) THAT THE POLITICAL RELATIONSHIP SHOULD BE EASY AND FLOURISHING. WE HAVE COME THROUGH A DIFFICULT PATCH IN THE FIRST HALF OF 1980 REMARKABLY WELL. THE VISIT BY THE PRINCE OF WALES IN NOVEMBER - DECEMBER HAD A VERY FAVOURABLE IMPACT BOTH POLITICALLY AND COMMERCIALY. THE CONCURRENT VISIT BY A TOP LEVEL BUSINESS TEAM UNDER LORD LIMERICK WAS THE BEST WE HAVE HAD FOR A DECADE AND PRODUCED A CONSIDERABLE DEGREE OF ENTHUSIASM BOTH ON THE BRITISH AND ON THE INDIAN SIDES.

4. WE ARE, THEREFORE, RIDING A TIDE WHICH IS FLOWING STRONGLY FOR US. HOWEVER, I SEE THE FOLLOWING RISKS:

(A) AT ANY MOMENT OUR POLITICAL STANDING AND OUR SPECIAL EQUATION WITH MRS GANDHI CAN BE SOURED BY EXTRANEIOUS EVENTS EG. RACE RELATIONS AND IMMIGRATION ISSUES OR BY INJUDICIOUS COMMENTS BY THE BRITISH MEDIA.

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(B) JUST AS WE SEE INCREASING OPPORTUNITIES IN INDIA, SO DO OUR COMPETITORS. THEY ARE NUMEROUS AND STRONG. IT WILL BE DIFFICULT TO BEAT WHAT GISCARD ACHIEVED COMMERCIALY DURING HIS VISIT IN JANUARY 1980. THE FRENCH, WHO TEND TO BE WELL REGARDED BY MRS GANDHI, ARE SENDING HIGH LEVEL MISSIONS TO INDIA IN SUCCESSIVE WAVES. (INCIDENTALLY THE MINISTER OF COMMERCE, MR BIFFEN'S HOST, WILL BE GOING TO PARIS AT THE END OF THIS MONTH.) THE GERMANS ARE TRYING THE SAME THING AND THE GERMAN PRESIDENT WILL BE HERE IN EARLY MARCH. THE RUSSIANS HAVE AN ASSURED POSITION AND THE AMERICANS STILL HAVE THE LARGEST SHARE OF THE INDIAN MARKET. THE JAPANESE, ITALIANS AND OTHERS ARE ALSO HAVING A GOOD GO AT IT.

(C) ALTHOUGH THE INDIAN ECONOMY COULD HAVE PERFORMED MUCH BETTER THAN IT HAS DONE IT HAS NOT DONE BADLY, ESPECIALLY GIVEN THE TERRIBLE DROUGHT OF 1979. FOREIGN EXCHANGE RESERVES AND FOOD STOCKS ARE AT LEVELS WHICH WERE NOT IMAGINED 4 OR 5 YEARS AGO. A CONCOMITANT OF THIS HAS BEEN A DISTINCT LIBERALISATION IN INDIA'S READINESS TO IMPORT AND TO CONTEMPLATE COMMERCIAL CREDIT. NEVERTHELESS, THE PRESSURE OF OIL PRICES HAS A VERY SEVERE EFFECT ON INDIA, ACCOUNTING FOR ABOUT 70 PER CENT OF ALL HER EXPORTS. THE FOREIGN EXCHANGE RESERVES ARE RUNNING DOWN AND IT IS NOT POSSIBLE FOR INDIA TO PAY IN THE NEAR FUTURE FOR ALL THE LARGE SCHEMES WHICH ARE AT PRESENT UNDER STUDY. IT IS THE EARLY BIRD THAT WILL GET THE MONEY AVAILABLE.

(D) BRITISH INDUSTRY'S EXPECTATIONS OF THE INDIAN MARKET ARE RISING AND THERE MAY BE SERIOUS DISAPPOINTMENT IF CONCRETE RESULTS ARE NOT FORTHCOMING SOON. IN OUR CHOSEN PRIORITY AREAS WE HAVE PUT IN A BIG EFFORT AND IN SEVERAL OF THEM ARE LEADING THE FIELD. BUT AS TIME PASSES OUR LEAD COULD WELL BE ERODED.

5. IT IS ALWAYS DIFFICULT IN UNCERTAIN WEATHER CONDITIONS FOR THE FARMER TO DECIDE WHEN TO REAP WHAT HE HAS SOWN. IN MY JUDGEMENT WE ARE AT A POINT WHEN WE SHOULD REAP.

6. WHEN MRS GANDHI CAME TO DINNER TWO NIGHTS AGO I PUT IT TO HER THAT THE JOINT ACHIEVEMENTS TO BE RECORDED AT THE TIME OF THE PRIME MINISTER'S VISIT SHOULD BEAR FAVOURABLE COMPARISON WITH THOSE RECORDED DURING THE GISCARD AND BREZHNEV VISITS. SHE MADE NO COMMITMENT, BUT GAVE ME THE IMPRESSION THAT SHE WAS DISPOSED TO CONSIDER THIS REPRESENTATION SYMPATHETICALLY. AT HER INVITATION I AM LETTING HER HAVE SOME THOUGHTS. HOWEVER, I WOULD NOT WISH TO DEPEND UPON HER TO TAKE THE INITIATIVE.

7. THE MAIN BUSINESS THAT MIGHT BE ACHIEVED IS:

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(A) THE COASTAL STEEL PLANT WORTH MORE THAN DOLLARS 2 BILLION. OUR CAMPAIGN ON THIS IS NOT GOING AT ALL BADLY, BUT THERE ARE REASONS FOR CONCERN. THE MAIN TWO ARE THAT THE CONTRACT MAY NOT BE READY IN TIME FOR SIGNATURE IN APRIL AND THAT WE MAY QUEER OUR OWN PITCH BY A FALSE MOVE IN THE MEANTIME. WHEN MR BIFFEN IS HERE I DO NOT THINK HE SHOULD MAKE A MAJOR ISSUE OF THIS MATTER. HIS HOST, MR MUKHERJEE, IS ALMOST CERTAINLY ON OUR SIDE, BUT IS NERVOUS OF BEING EMBARRASSED BY OVERT PRESSURE. ACCORDINGLY I RECOMMEND THAT MR BIFFEN SHOULD SPEAK PRIVATELY TO MR MUKHERJEE, SAYING THAT WHILE THE DECISION IS ENTIRELY FOR THE GOVERNMENT OF INDIA, THE PROJECT IS OF GREAT MUTUAL BENEFIT TO BOTH OF US AND THAT IT WOULD BE A GOOD THING IF IT COULD BE CONCLUDED IN TIME FOR THE PRIME MINISTER'S VISIT.

(B) WE ARE LEADING THE FIELD IN THE COAL SECTOR, BUT OUR COMPETITORS ARE TREADING ON OUR HEELS. THIS IS A TOP INDIAN PRIORITY FOR RAPID DEVELOPMENT. WE ARE TRYING TO ARRANGE FOR MR BIFFEN TO SIGN A MEMORANDUM OF UNDERSTANDING DURING HIS VISIT HERE, BUT THIS WILL BE DIFFICULT AND WE SHALL PROBABLY HAVE TO SETTLE FOR SIGNATURE AT THE TIME OF THE PRIME MINISTER'S VISIT. IN THIS CASE I HOPE MR BIFFEN WILL STRESS THE IMPORTANCE BOTH OF THE MOU AND OF CONCLUDING SIMULTANEOUSLY 2 OR 3 MUCH DISCUSSED PIECES OF BUSINESS WHICH ARE WELL KNOWN TO YOUR DEPARTMENT.

(C) WE HAVE BEEN INVITED BY THE INDIANS TO PUT FORWARD PROPOSALS FOR A THERMAL POWER STATION. IN THEIR VIEW WE HAVE BEEN DILATORY AND HAVE YET TO PROVE THAT WE ARE COMPETITIVE. I AM GLAD TO HEAR WE ARE ABOUT TO PUT FORWARD 2 OFFERS. I HOPE THEY ARE AS SPECIFIC AS THE INDIANS HAVE REQUESTED. I BELIEVE MR BIFFEN COULD HAVE A MAJOR ROLE, NOT ONLY IN SELLING ONE OR OTHER OF THESE OFFERS, BUT IN CONVINCING THE INDIANS THAT THEY CAN DEPEND UPON US IN THIS FIELD. I BELIEVE WE SHOULD ATTEMPT TO GET A MOU OR A FIRM ORDER OR BOTH AT THE TIME OF THE PRIME MINISTERS VISIT.

/ (D)

(D) THE INDIAN FBDR SECTOR AS A WHOLE IS AFFLICTED BY SEVERE DEFECTS IN ORGANISATION, MAINTENANCE AND MANAGEMENT. BRITISH ELECTRICITY INTERNATIONAL HAVE PUT IN A GREAT DEAL OF HARD WORK OVER THE PAST TWO YEARS AND COULD EXERCISE A DECISIVE INFLUENCE ON THE FUTURE DEVELOPMENT OF THIS SECTOR WHICH WOULD BENEFIT BOTH THEM AND BRITISH SUPPLIERS IN THE LONG TERM. WE NEED TO CONSIDER HOW BEST TO PROMOTE BEIL'S CHANCES OF ESTABLISHING A MUCH STRONGER POSITION AS CONSULTANT AND COLLABORATOR WITH THE INDIAN POWER INDUSTRY.

(E) BP AND SHELL ARE EACH INTERESTED IN THE GOVERNMENT OF INDIA'S PROPOSAL TO LET BOTH ON-SHORE AND OFF-SHORE CONCESSIONS TO FOREIGN OIL COMPANIES. IMPORTANT DECISIONS COULD BE TAKEN IN LATE MARCH OR EARLY APRIL. I BELIEVE IT WOULD BE HELPFUL IF BP, WHO SEEM TO BE LEADING RUNNERS, COULD BRIEF MR BIFFEN BEFORE HIS VISIT.

(F) IT WILL BE IMPORTANT FOR MR BIFFEN TO KNOW WHETHER THE BRITISH LEYLAND BOARD, AT THEIR MID-JANUARY MEETING, HAVE DECIDED IN FAVOUR OF OR AGAINST COMPETING FOR THE MARUTI CAR MANUFACTURING CONTRACT WITH AN OFFER TO PRODUCE THE MINI METRO. IF THEY HAVE DECIDED AGAINST, I WOULD LIKE TO ADVISE LATER ON HOW THIS SHOULD BE PRESENTED. IF THEY HAVE DECIDED IN FAVOUR I HOPE MR BIFFEN WILL BE ABLE TO URGE THE INDIAN MINISTER OF STATE FOR INDUSTRY (MRS GANDHI IS HERSELF THE MINISTER) TO COME TO THE UK IN THE FIRST WEEK OF FEBRUARY AS ALREADY DISCUSSED. I AM NOT PARTICULARLY HOPEFUL OF THIS BUSINESS BECAUSE I BELIEVE RENAULT ALREADY HAVE AN INSIDE TRACK.

(G) RAILWAYS: THERE IS POTENTIALLY A LOT OF GOOD BUSINESS TO BE DONE IN THIS CRUCIAL SECTOR OF THE INDIAN ECONOMY. THE 95 MILLION US DOLLARS WORLD BANK - FINANCED PROGRAMME FOR WORKSHOP MODERNISATION OFFERS SUBSTANTIAL OPPORTUNITIES FOR OUR MACHINE TOOL MANUFACTURERS, AS DOES THE PROPOSED DIESEL LOCOMOTIVE PROJECT AT PATIALA. OTHER AREAS INCLUDE BRAKE AND SIGNALLING SYSTEMS, RETARDERS TRACTION EQUIPMENT AND COMPUTERS. TRANSMARK ARE EXPLORING CONSULTANCY OPPORTUNITIES. AGAIN, WE NEED TO CONSIDER THE SCOPE FOR A PACKAGE APPROACH.

(H) TELECOMMUNICATIONS: BECAUSE OF THE NEED TO INTRODUCE A NEW TECHNOLOGY, THE NEXT INDIAN DECISION WILL PROBABLY DETERMINE WHO GETS THEIR BUSINESS FOR THE REST OF THE CENTURY. I THINK IT IS WORTH MAKING A SPECIAL EFFORT HERE. YOU MAY LIKE TO CONSIDER GETTING KOHN SHARPLEY OF BRITISH TELECOMMUNICATIONS SYSTEMS, WHO WAS RECENTLY HERE, TO BRIEF MR BIFFEN. IF WE COULD GET THINGS MOVING DURING HIS VISIT, I THINK THERE MIGHT BE A CHANCE OF AN INTER-GOVERNMENTAL AGREEMENT AT THE TIME OF MRS THATCHER'S VISIT.

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(1) PROCESS PLANT INDUSTRY: INDIAN PLANS FOR A FURTHER HALF DOZEN OR MORE LARGE-SCALE FERTILIZER PLANTS HOLD OUT GOOD PROSPECTS FOR BRITISH CONSULTANTS AND CONTRACTORS. ALTHOUGH SOME OF THE FINANCE WILL COME FROM THE WORLD BANK, INDIA WILL HAVE TO LOOK ALSO TO OTHER SOURCES OF FINANCE. WE SHOULD THEREFORE CONSIDER THE SCOPE FOR OFFERING A PACKAGE, INCLUDING EQUIPMENT, CONSULTANCY SERVICES AND FINANCIAL PROPOSALS.

8. MRS GANDHI'S GOVERNMENT SEEMS PARTICULARLY ATTRACTED BY THE NOTION OF "GOVERNMENT TO GOVERNMENT" CONTRACTS INVOLVING PROPOSALS BOTH FOR EQUIPMENT AND FOR FINANCING. THIS IS THE APPROACH WHICH WE HAVE ADOPTED WITH REGARD TO THE PROPOSED COASTAL STEEL PLANT AND WHICH IS CURRENTLY UNDER CONSIDERATION IN RESPONSE TO THE INDIAN REQUEST FOR A POWER STATION PACKAGE. THE FRENCH HAVE DONE THE SAME, NOTABLY WITH THEIR BIG CONTRACT FOR AN ALUMINIUM COMPLEX. I HAVE ALREADY RECOMMENDED (MY TELNO 996 OF 19 DECEMBER, NOT REPEATED) THAT WE ADOPT A SIMILAR APPROACH ON OTHER FRONTS WITH A VIEW TO PUTTING SOME SPECIFIC PACKAGES FORWARD AT THE TIME OF THE PRIME MINISTER'S VISIT IN APRIL. THERE WOULD BE ADVANTAGE IN MR BIFFEN MAKING CLEAR TO THE INDIANS NEXT WEEK THAT WE ARE KEENLY INTERESTED IN THEIR CONCEPT OF "GOVERNMENT TO GOVERNMENT" CONTRACTS.

9. INDIAN MINISTERS WILL NO DOUBT EMPHASISE THAT FINANCE IS THEIR MAIN PREOCCUPATION AND IT WILLOBVIOUSLY GO DOWN WELL IF MR BIFFEN CAN INDICATE THAT WE ARE PREPARED TO INCORPORATE AID ELEMENTS INTO FINANCIAL PACKAGES FOR THOSE PROJECTS OF MUTUAL BENEFIT TO INDIA AND THE UK. AS YOU WILL HAVE SEEN FROM MY TELNO MODEV 8, I BELIEVE THERE WILL BE CONSIDERABLE PRESENTATIONAL ADVANTAGE IF MR BIFFEN IS ALSO ABLE TO CONFIRM TO THE INDIANS THAT IT HAS NOW BEEN DECIDED THAT THE BILATERAL AID PROGRAMME FOR THE NEXT YEAR WILL BE £10 MILLION MORE THAN WE HAD EARLIER TOLD THEM AND THAT WE ARE PREPARED TO LOOK TO WAYS OF RESOLVING THE UNDER-SPENDING PROBLEM ARISING IN THE CURRENT FINANCIAL YEAR. MORE IMPORTANT STILL WE OUGHT ALSO TO BE THINKING NOW HOW WE CAN CONSTRUCT A FINANCIAL PACKAGE COMPRISING SOFT LOANS AND AN AID COMPONENT (FROM THE NORMAL PROGRAMME OR FROM THE ATP) WHICH WOULD BE TAILOR-MADE FOR A SPECIFIC PROJECT AND WHICH THE PRIME MINISTER COULD OFFER THE INDIANS

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18. BY COMPARISON WITH THE FOREGOING OPPORTUNITIES, THE OSTENSIBLE REASONS FOR MR BIFFEN'S VISIT, VIZ THE INDO-BRITISH ECONOMIC COMMISSION AND THE FINANCIAL TIMES CONFERENCE, ARE RELATIVELY SMALL BEER AND I WILL RESERVE MY COMMENTS FOR THE BRIEFING SESSION HERE NEXT SUNDAY. THE MAIN POINT THAT I WANT TO STRESS IS THAT THE VISIT BY THE SECRETARY FO STATE FOR TRADE CAN BE CRUCIAL IN DETERMINING WHAT INTER-GOVERNMENTAL AGREEMENTS AND WHAT BUSINESS CAN BE CONCLUDED AT THE TIME FOR THE PRIME MINISTER'S VISIT. I HOPE, THEREFORE, THAT IMMEDIATELY FOLLOWING MR BIFFEN'S VISIT, WE CAN IN CONSULTATION DECIDE WHAT OUR PRACTICAL OBJECTIVES SHOULD BE FOR THE PRIME MINISTER'S VISIT AND HOW TO ACHIEVE THEM.

THOMSON

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TRED
PS
PS/LPS
PS/MR BLAKER
PS/PUS
SIR J. GRAHAM

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