

Confidential filing

The Indian Minister of finance, Mr
Prenab Mukherjee, meeting with
Prime Minister.

INDIA

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3008

August 1982

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
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19.82							
1.9.92		PREM		19/3803			
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EM

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

1 September 1992

Thank you for your letter of 27 August to the Prime Minister, who has asked me to reply.

The Prime Minister was aware of the forthcoming visit of the Indian Finance Minister and that he has a very good programme arranged for him.

The Prime Minister very much regrets that his own diary at that time is so full that he will not be able to see the Finance Minister on this visit.

J S WALL

Mr G P Hinduja



Rep
Edm
bc RB

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

1 September 1992

VISIT OF THE INDIAN FINANCE MINISTER: 15-18 SEPTEMBER

I enclose a letter to the Prime Minister from Mr G P Hinduja suggesting that the Prime Minister might receive the Indian Finance Minister during the latter's forthcoming visit to London.

It would be very difficult for the Prime Minister to take this on and I shall write to Mr Hinduja telling him that a meeting will not be possible.

I am copying this letter to Stephen Smith (Foreign and Commonwealth Office).

J S WALL

J Heywood Esq
HM Treasury

WS



10 DOWNING STREET

Rostak

Some say that
had matter about the visit
for any trace?

John

1/9

↓
Stephen

FCO definitely have not
written on this.

Lenen

1/9.



G. P. Hinduja

GPH/ME

27th August, 1992

The Rt Hon John Major
Prime Minister
10 Downing Street
LONDON SW1

Dear Prime Minister,

**THE VISIT OF MANMOHAN SINGH INDIAN FINANCE MINISTER:
15 TO 18 SEPTEMBER, 1992**

Your very welcome interest in British-Indian relations prompts me to send you this note on the forthcoming visit of the Indian Finance Minister, Manmohan Singh.

The visits to India last winter by the Foreign Secretary and Home Secretary and British Government's stand on the Kashmir issue have laid solid foundations for improving British-Indian relations. During their visits both Mr Hurd and Mr Baker were received by Narasimha Rao, the Prime Minister.

Manmohan, who is a highly respected technocrat as well as an able politician, is a senior figure in Narasimha Rao's Cabinet and is the driving force behind the government's programme for economic liberalisation which is now having a good effect. Furthermore, Manmohan has the eyes the media focused on him.

I understand that a good programme for Manmohan Singh has been arranged and he is to meet the Chancellor of Exchequer, the President of the Board of Trade and the Foreign Secretary who has made a special effort to find time to see him.

There is only one more thing which could add value to Manmohan's visit and to relations between Britain and India; that is, if you too could possibly find time to see him.

We know that you would not normally meet ministers other than prime ministers and that you must have many important issues to deal with including your Presidency of the EEC.

cont.../2



-2-

The Rt Hon John Major

27th August, 1992

But were you able to fit Manmohan into your busy programme this would serve a three fold purpose. It would have an excellent effect on British-Indian relations and prepare the way for future British ministerial visits to India. It would make a good impression on public opinion in India; and give support to Manmohan's policy of economic liberalisation. And thirdly, it would give a signal to British companies to look to India as an important potential market.

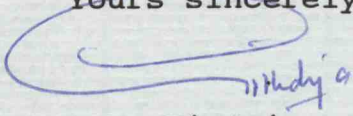
This is of course only a suggestion from a well wisher whose only aim is to improve relations between India and Britain.

May I therefore leave the thought with you.

S.P. joins me in sending you our best wishes for your continued good health and success.

With warmest personal regards.

Yours sincerely,


G.P. Hinduja



N. S. P. R.

A. J. C. $\frac{7}{9}$

h.a.

RECORD OF A CONVERSATION BETWEEN THE CHANCELLOR AND THE INDIAN
MINISTER OF FINANCE AT NO.11 DOWNING STREET AT 11.30 A.M. ON 1ST SEPTEMBER
1982

Present Chancellor of the Exchequer
 Mr Gilhooly
 Hon Pranab Mukherjee, Finance Minister
 Mr R N Malhotra, Secretary of the Department of Economic Affairs
 Dr Seyid Muhammad, High Commissioner

Mr Mukherjee congratulated the Chancellor on what he thought had been a successful meeting. The Chancellor said he had been most grateful for the help Mr Mukherjee given him.

2. Mr Mukherjee turned to the subject of IDA. India appreciated the way in which the UK had maintained its IDA contributions. But he was worried about the prospects for IDA 7. In particular the entry of China, and special attention to the least developed could mean that there was less for India. He did not want to see any experimentation with the form of disbursements under IDA 7. Mr Malhotra explained that under IDA 6 the Indians had had firm assurances from the then President of the World Bank Mr McNaman that their share in the allocation would stay at the customary rate $\frac{2}{5}$. In the first year of disbursements they had received 38 per cent. Last year there had been a squeeze on resources and the Indians had agreed to reduce their share. They had no wish to create problems for the IBRD management. The Indian Government was prepared to see an additional 2 to 3 per cent allocated to Sub-Saharan Africa. But India's share was now down to 33 per cent and they were worried that there was no indication of any offsetting correction. The World Bank was also introducing differentiation in the terms of IDA loans. That would raise the average rate of borrowing quite considerably. Mr Clausen laid great stress on credit rating, and India's was high. But both Poland and Mexico had shown examples of what could happen when what looked to be a financially sound country got into the circle of having to borrow to repay debt.

3. The Chancellor said that he was most anxious to see Indian's share in IDA funds maintained. But on the question of harder terms for bank resources, he understood their need to make their resources go as far as possible. The Chancellor had not had a chance to



look at this question recently and would be pleased to see any papers the Indians wished to produce on this.

4. The Chancellor said that there was one general point he wished to make to Mr Mukherjee. He thought that the developed countries were moving towards the situation where they would be in capital surplus. That would benefit the developing countries. But he thought that there was a real need for countries like the UK and India to address themselves to the United States. The US Government was facing real economic difficulties. They had to get interest rates and inflation down. But most important now they should get the deficit down. And while doing all this they had to leave themselves room for manoeuvre within the international organisations. The Chancellor thought it would be an enormously useful if Mr Mukherjee were to speak strongly but with sympathy to the US administration to inspire them into the role of leadership they displayed in the past. Mr Malhotra said that India had been circumspect in their dealings with the US.

5. The Chancellor thanked Mr Mukherjee for coming. The meeting closed at 12.10 p.m.

PSJ
f JILL RUTTER

Distribution

PS/Chief Secretary

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Sir K Couzens

Mr Littler

Mr Lavelle

Mr Carey

Mr Beastall

Mr Gilhooly

Mr Bonney

Mr Rickett - No.10

PS/Secretary of State Foreign and Commonwealth Affairs

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~~SUBJECT~~
~~SECRET~~



Chaste
India

10 DOWNING STREET

From the Private Secretary

1 September 1982

Dear John

The Indian Minister of Finance, Mr. Pranab Mukherjee, called on the Prime Minister at 1100 this morning. He was accompanied by the High Commissioner, and by Mr. Malhotra, Secretary of the Indian Department of Economic Affairs.

Most of the discussion was about the Indian economy, and was general in nature. The Prime Minister also took the opportunity to say how pleased she was with the success of the Festival of India, and that she was glad that Rajiv Gandhi would be coming to England both for the Farnborough Air Show and for the end of the Festival. Mr. Mukherjee said that Mrs. Gandhi had asked him to give the Prime Minister her warm regards, and the Prime Minister asked Mr. Mukherjee to give Mrs. Gandhi her best wishes.

Towards the end of the meeting, the Prime Minister asked Mr. Mukherjee what was the current position on the Orissa Steel Plant project. Mr. Mukherjee explained that the Indian Government had originally envisaged this as a turnkey project, but negotiations between Davy and his Government had broken down in May, partly because of the changes that had been made in the plans for the project. When the negotiations had failed, the Indian Cabinet had decided to proceed on a new basis. Different parts of the project would be put out to limited tender. Mr. Mukherjee said that he had seen our High Commissioner before he left India and had told Mr. Wade-Gery that the Indian Government had decided not to pursue the concept of a turnkey project. He had invited tenders on the new basis, and Davy had been included in the invitation. Obviously the financial package offer in support of Davy's tender would be important.

Mr. Mukherjee gave the impression that the Indian Government had taken a decision to abandon the concept of a turnkey project, and the Prime Minister told him that she understood that British firms would now have to make bids to secure contracts on the new basis. Mr. Malhotra added that he felt that these new arrangements would offer the opportunity for UK industry to win substantial orders. However, at one stage during his explanation of the Indian Government's position, Mr. Mukherjee said that unless some new proposals were made by the UK Government, he saw no possibility of the Indian Government re-opening negotiations on the old basis of a turnkey project. The Prime Minister did not take up this comment with Mr. Mukherjee, and I am afraid I am not entirely clear what he meant. He could have been suggesting that the Indian Government would only consider re-opening negotiations on the old basis if the UK Government were to offer a new and enticing

/financial

financial package as an inducement. You may wish to consider whether it would be worthwhile to try to clarify this point, though I am confident the Prime Minister was left with the impression that the Indians were unlikely to re-open negotiations on the old basis.

I am copying this to John Whitlock (Department of Trade), John Kerr (HM Treasury) and Liz Riley (Department of Industry).

Yours ever

Willie Rickett

R

John Holmes, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

27 August 1982

Dear Tim,

As requested in your letter of 23 August, I enclose a brief and a personality note for the Indian Finance Minister's call on the Prime Minister at 11.00 am on Wednesday, 1 September.

Reports received from Delhi overnight indicate a major breakthrough in our efforts to negotiate a lead role for the UK in a revised Orissa Steel project. This development results from a meeting yesterday afternoon between Mr Wade-Gery and Mr Mukherjee at which the latter offered some highly encouraging suggestions about how we might best pursue our interest in this project. The Department of Trade will provide a separate Background Brief and Speaking Note on this subject for the Prime Minister once they have had an opportunity to assess the implications of Mr Mukherjee's advice.

We understand from India House that Mr Mukherjee will be accompanied on Wednesday by Mr R N Malhotra, Secretary of the Department of Economic Affairs in New Delhi, (who was in Mrs Gandhi's team at the No 10 talks in March) and the Indian High Commissioner, Dr Seyid Muhammad.

I am sending copies of this letter and its enclosures to John Kerr (HM Treasury), Liz Riley (Minister of State's Office, Department of Industry) and John Rhodes (Department of Trade).

Yours ever

A handwritten signature in dark ink, appearing to read 'J E Holmes'.

(J E Holmes)
Private Secretary

T Flesher Esq
10 Downing Street

CONFIDENTIAL

CALL BY INDIAN FINANCE MINISTER, 11.00 AM, 1 SEPTEMBER 1982

POINTS TO MAKE

Mr Mukherjee's Programme

1. Hope you enjoyed visit here for Commonwealth Finance Ministers' Meeting. Glad you were able to attend Indo-British Association dinner last night. Mrs Gandhi and I addressed last gathering of Association in March.

Mrs Gandhi

2, Give her my warm regards. Enjoyed her visit here in March. Value my relationship with her.

Festival of India

3. Joint patron with Mrs Gandhi. Taking close personal interest. Having significant impact on Indian image in Britain. Delighted that Rajiv will represent his mother at closing concert on 14 November.

Aid

4. Congratulations on skilful and prudent management of economy.

5. Glad we were able in March to agree to increased levels of bilateral aid and to meeting full contribution to second instalment of IDA 6. Hope Chancellor's ^{recent} ~~forthcoming~~ announcement of similar action on third instalment will be equally successful in encouraging other donors to follow suit.

Orissa Steel Plant

6. [Speaking Note to be provided by Department of Trade.]

Power Station

7. Delighted that agreement in principle with Mrs Gandhi in March led to signing of framework agreement with NEI. Look forward to closer co-operation on development of India's power supply system.

/Other

Other Projects

8. British industry very keen to play a role in development of India's infrastructure - Nhava Sheva, System X.

Mukherjee's Programme

1. 30-31 August Commonwealth Finance Ministers' Meeting.

31 August Address annual dinner of Indo-British Association: Sir Geoffrey Howe other principal speaker.

1 September

11.00 am: Call on Prime Minister.

11.30 am: Call on Chancellor of Exchequer.

Aid

2. Indian economy currently being prudently managed. Reasonable prospect of ensuring 1980-85 Plan target of 5.3% growth. First year of SDR 5000 million IMF loan has been well-managed. India continues to adopt more liberal external borrowing and trade policies.

3. No substantive points to raise on aid. Aid relations between UK and India excellent.

4. Agreed during Mrs Gandhi's visit in March that UK bilateral aid to India would be £105 million in 1982/83 and £110 million in 1983/84; that we would do our best to maintain similar levels in subsequent years; and that we would release all our second instalment to IDA 6 despite delays in USA contributions. This last encouraged some other donors to act similarly. Aid flows to IDA have increased as a result. Indians aware that Chancellor will announce at IMF/IBRD Annual Meetings on 6-9 September that we will release in full our third and final instalment to IDA 6, and press for India to retain its traditional 40% share. India currently has about 34% of IDA 6.

Orissa Steel Plant

5. [Brief to be provided by Department of Trade.]

Rihand Power Station

6. Framework agreement signed 15 May. UK content £231.5 million. Final negotiations in progress and contract signature scheduled for 30 September. Power station and associated coal mine involves £65 million of aid additional to normal bilateral programme and £75 million of local costs aid.

/Other

Other Projects

India attaches high priority to developing its infrastructure. Considerable potential for future export orders for Britain in the coal, power, telecommunications and transport sectors. In particular, number of British firms interested in construction of new Nhava Sheva port near Bombay and GEC are promoting System X.

MUKHERJEE, PRANAB KUMAR

Minister of Finance. Leader of the House in the Rajya Sabha.

Born West Bengal 1935. Educated Calcutta: MA History, Political Science, LLB.

Formerly college lecturer and editor of two Bengali magazines. Elected to Rajya Sabha 1967. Deputy Minister for Industrial Development 1975. Deputy Minister of Transport and Shipping 1974. Minister of State for Finance 1974. Minister for Revenue and Banking 1975-77. Defeated in Lok Sabha elections in both 1977 and 1980. Became Minister of Commerce in Mrs Gandhi's first round of appointments in January 1980, although his name was a last-minute addition. Also Treasurer of the Congress (I). Shifted to the Finance Ministry in January 1982.

Widely travelled. Led Indian IPU delegation in Paris 1971, Indian delegation to 24th Colombo Plan Conference in Singapore 1974 and to 25th meeting in Colombo 1975. Led two delegations to South East Asia and Hong Kong in 1976. Led a number of Indian delegations abroad as Minister of Commerce, but not to UK.

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cc: India
Caroline
Stephens

10 DOWNING STREET

From the Private Secretary

23 August 1982

BF

Thank you for your letter to Tim Flesher of 19 August about the visit of Mr. Prenab Mukherjee, the Indian Minister of Finance. I have also seen Liz Riley's letter of 20 August.

The Prime Minister has agreed to see Mr. Mukherjee for half an hour at 1100 hours on Wednesday 1 September. I should be grateful if you could provide a suitable brief by Friday 27 August.

I am sending copies of this letter to John Kerr (HM Treasury), Liz Riley (Minister of State's Office, Department of Industry), and John Rhodes (Department of Trade).

W.F.S. RICKETT

John Holmes, Esq.,
Foreign and Commonwealth Office.

A



FROM THE
MINISTER OF STATE
FOR INDUSTRY AND
INFORMATION TECHNOLOGY

KENNETH BAKER'S OFFICE

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212
SWITCHBOARD 01-212 7676

6401

T Flesher Esq
10 Downing Street
LONDON SW1

20 August 1982

*Dear Tim
att (Gram Box)*

John Holmes copied to Jonathan Spencer his letter of 19 August and we should like to support his request that the Prime Minister agree to meet Mr Mukherjee.

India is currently the UK's most active market for project business, with UK contractors chasing orders worth over £2 billion, including a contract for a 1000 MW power station (up to £350 million) and for the supply of equipment for a steel plant (up to £900 million). Negotiations on the power station project, in which the Prime Minister has taken a close interest, will be in their final stages during Mr Mukherjee's visit and submissions for approval on the contract will be considered by Indian Ministers in September. On the Orissa steel plant, following the breakdown of discussions in May, talks were held at official level in Delhi earlier this month, as a result of which some momentum has been re-established.

John Holme's letter indicated the particular importance of Mr Mukherjee in relation to these matters and we believe a short meeting between the Prime Minister and Mr Mukherjee would be most productive in indicating HMG's continuing commitment to these projects at the highest political level. I am copying this letter to John Rhodes, John Holmes and John Kerr.

*Yours ever
E A Riley*

MRS E A RILEY
PRIVATE SECRETARY

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Foreign and Commonwealth Office
London SW1A 2AH
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19 August 1982

Prime Minister:

You would have
time to see Mr Mukherjee
briefly on 1 September (or 31 August)
should you so wish. (Although, of
course, you have refused to see Doe
at that time)

Will see
him
mt

Dear Tim,

JT 20/8.

The Indian Minister of Finance, Mr Prenab Mukherjee, will visit the UK from 30 August to 1 September principally to attend the Commonwealth Finance Ministers' Meeting (CFMM). The Indian High Commissioner have asked that he should call on the Prime Minister at any convenient time on Tuesday 31 August or between 10.00 am and 12 noon on Wednesday 1 September.

We would not normally recommend that the Prime Minister should receive a visiting Minister of Finance. There are however three reasons why the Prime Minister might wish to consider singling out Mr Mukherjee for special treatment on this occasion.

a)

[Redacted]

A brief call on the Prime Minister would undoubtedly be much appreciated by Mrs Gandhi, who normally receives personally British Ministers passing through Delhi;

b)

his programme will not be confined to engagements linked to the CFMM. He will in addition call on a Minister at the Department of Trade and speak at the annual dinner of the Indo-British Association on 31 August, where the other principal speaker will be Sir Geoffrey Howe;

c)

before moving to the Finance Ministry last January, Mr Mukherjee held the Steel portfolio, which involved him in decisions on the Orissa Steel Plant project. His present responsibilities ensure that he continues to take a major interest in our recent efforts to negotiate substantial UK participation in a revised Orissa project, to such an extent indeed that Mrs Gandhi told Sir John Thomson in June that Mr Mukherjee's views would be highly influential. A word in season from the Prime Minister about this and other major business we are currently pursuing in India could stand us in good stead.

/If the

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/wish

If the Prime Minister agrees to see Mr Mukherjee, it would be much preferable if she could do so on Wednesday 1 September, that is after the close of the CFMM (although I understand that she will be leaving for Scotland on that day). You will recall from John Coles's letter of 31 March to John Kerr that earlier this year the Prime Minister decided not to open the CFMM; nor did she/to host a reception during the course of the meeting. Were she now to become involved in seeing individual Commonwealth visitors while the meeting lasts, this might well cause offence both to the Commonwealth Secretary General and to the Chancellor's other guests.

I am copying this letter to John Rhodes (DOT), Jonathan Spencer (DOI) and John Kerr (Treasury).

Yours ever

J E Holmes

(J E Holmes)
Private Secretary

T Flesher Esq
10 Downing Street



19 AUG 1982

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