

CONFIDENTIAL

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*India: UK / Indian Relations: A-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

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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 In her view it would be a long time before Soviet forces were withdrawn.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.

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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