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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

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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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