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have made a major effort to bring forward suitable projects; and could reasonably claim that it is now up to us to do our stuff commercially. The main purpose of mentioning aid spending, as a subject to be kept under review for the future, would therefore be to lead into a reference to the two major industrial projects:

(i) Durgapur steel

Contrary to previous indications, the Indians at official level are thinking of limiting BSC's role to consultancy, and putting the modernisation packages out to international tender. This would delay implementation, and make it difficult to maximise British content. Mrs Gandhi's Principal Secretary has given instructions that the matter must go to Ministers after your meeting with her, in order to take full account of aid utilisation arguments (if they give us enough of the business, up to £100 million of aid might be made available). Indian Ministerial decisions may well depend on the outcome of any discussion you have with Mrs Gandhi. Your line should be that Mrs Gandhi and you worked out a plan for Indo-British steel collaboration over breakfast here last September; you realise that that related to a new plant at Daitari, since postponed by public expenditure cuts, and that Indian priorities now centre on the modernisation

/and

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and expansion of the old plant at Durgapur; and you hope that in this context we can work out something of comparable scale (in terms both of business for Britain and of British aid).

(ii) Balco - *Southern Bengal or Bihar*
 GEC's bid for the captive power station for Bharat Aluminium (British content would be about £121 million out of a total cost of £159 million) is believed to be lower than the offer by the domestic manufacturer BHEL, and delivery times are shorter. We have offered £45 million capital and local cost aid, but BHEL are lobbying hard. There would be price, financing and delivery advantages to the Indians in placing the order with GEC, but the decision is essentially political. Officials are waiting for a steer from the Prime Minister's Office. You should therefore urge that GEC's bid should be given a fair crack of the whip, provided its competetive (which it is); this would be particularly desirable given that they felt a bit unfairly treated over their System X telephone exchanges bid earlier this year.

(c) LCA. The Indian Foreign and Defence Ministers whom you met in London earlier in November are two of her closest advisers. A brief reference to your conversation with them would give you an opportunity

/to express



to express pleasure at the Indian award of their naval helicopter contract to Westlands (20 Sea Kings with Sea Eagle missiles to a value of £200 million plus); and at their decision, just taken, to buy 12 more Sea Harriers. You could go on to say that the Light Combat Aircraft project is, we hope, the next major area for Indo-British arms supply collaboration. We are in competition with the Germans and possibly also the French for a collaboration with the Indians on this project, for manufacture here; and British Aerospace are now engaged in a feasibility study. If India opts for a British partner it will mean a great deal of business for BAe, Rolls Royce and associated companies.

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Robert Wade-Gery

(Robert Wade-Gery)

22 November 1983

Rankasath

BILATERAL WITH MRS. GANDHI

The Queen's visit. N.A.M.

Family - Rajiv Senia

CHOGM

Parrots in Sri Lanka

How can we help?

Opening speech : what will you say?

→ Grenada : concentrate on future.

→ Cyprus : how to handle?

Bretton Woods : our view.

(? Namibia).

BILATERAL

UK aid

Possible underspend in 83/84.

Can your officials identify projects?

BHARAT aluminium company

Rules.

Early agreement on this would achieve some aid expenditure this year.

Hope for quick conclusion of negotiations on GEC bid.

Aid would be available, subject to ~~confirmation~~ appraisal.

DURGAPUR steel plant

Hope for substantial UK involvement, led by British Steel Corporation, in modernisation.

Non-Official conferences

Can we revive former series of conferences of British and Indian academics, journalists, politicians?