

SECRETARY OF STATE FOR TRADE'S VISIT TO INDIA, 16-23 JANUARY 1981

MEETING NOTE NUMBER 3

MONDAY 19 JANUARY: MINISTER OF STATE FOR INDUSTRY

Present: Dr Charanjit Chanana, Minister of State for Industry
Mr Ghosh
Mr Rhajan

Secretary of State
Sir John Thomson, High Commissioner
Mr Mathrani
Mr Garrod

The Secretary of State began by expressing interest in the forthcoming visit to London by Dr Chanana and was told that this would take place in the first week in February. The visit would follow one to Paris at the invitation of the French Industry Minister where future projects in India would be discussed.

Dr Chanana said that he wished to explore greater economic co-operation which was in the mutual interest of the United Kingdom and India and which would revitalise industry in his country. As trading patterns changed the European nations needed co-operation with countries which could absorb new technology, since otherwise they could not meet competition from countries like Japan. At present India was rated as the most profitable place for "converting software into hardware". Mr Ghosh said that hitherto India had been sending to the United Kingdom low price, labour-intensive tools where the United Kingdom was not competitive. He was not just seeking a one-way transfer of technology but joint production in India and the United Kingdom to serve both domestic markets and exports to South East Asia. He had told the recent British Machine Tools mission that Indian industry could attract technology from a number of sources, but common production was the aim. He could name 20 lines at least (including mining equipment) where this was an attractive opportunity; this list was being discussed in IBEC. Mr Mathrani mentioned that there was already extensive co-operation in the field of coal mining machinery, and a further ABMEC mission would be visiting India later that month.

The High Commissioner noted that the 5 year plan provided for a growth in engineering exports, but this had not yet materialised. He had the impression that the initiative for increasing sales to the United Kingdom had largely come from British private sector companies. Mr Ghosh suggested that some mechanism such as IBEC was needed to generate greater exchanges. Mr Mathrani said that IBEC did not constitute an appropriate instrument because of its infrequent meetings. Mr Rhajan felt that the reopening of the AIEI office in London would be of significant advantage in this context.

Mr Ghosh said that British companies such as ICI and British Leyland seemed unwilling to allow their Indian subsidiaries access to the advances made by the parent company. (The High Commissioner expressed

surprise at the reference to ICI in this context. Dr Chanana said that there should be a specific clause in transfer of technology agreements guaranteeing updating so that processes do not become obsolete.

Mr Ghosh said that for 10 years there had been discussion on joint work in third countries, but the desirable concept had not been made to work. In the heavy electrical field there were some very large contracts in prospect in South East Asia and Africa which could provide scope for joint ventures. Mr Mathrani said that following an approach from the AIEI Sir Peter Carey had written to 30 companies to draw their attention to the scope for co-operation. Davy and Humphreys-Glasgow could provide examples of where this was already happening.

Mr Ghosh said that he was not just talking of the incorporation of components but of joint tendering. This could only be successful if it was seen to be in the mutual interest of companies. The High Commissioner added that mutual trust was also needed; companies who had never worked with a partner were nervous about incurring penalties through the fault of that partner.

Dr Chanana said that Mr Rhajan had recently visited Ford for discussions on heavy vehicles, but he was really interested in the total range of vehicle manufacture, including the Mini Metro. The Secretary of State explained that BL's plans for investment in India were inevitably delayed while the British Government considered the BL corporate plan. He recognised that it would make Dr Chanana's visit to London more productive if this issue had been resolved by then. Dr Chanana said that he had also received approaches from companies in France and Germany covering the complete vehicle range; he was determined that India should have the best technology available. The High Commissioner said that any British company would be anxious to supply the best in order to beat Japanese competition.

Mr Ghosh expressed disappointment about trade in primary products such as tea where the United Kingdom was a large buyer. The High Commissioner suggested that the lost market might be linked to the imposition of a 5 rupee tax on exports.

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January 1981

cc PS/SOS
PS/MFT
PS/Secretary
Mr Caines
Mr Dick
Mr Benjamin
Mr Archer FCO