



India

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From the Secretary of State

The Rt Hon Patrick Jenkin MP
Secretary of State for Industry
Department of Industry
Ashdown House
123 Victoria Street
London, SW1E 6RB

15 February 1982

Dear Patrick,

INDIA: "THE GREAT GAME"

I was interested to read Kenneth Baker's note to you of 29 January about his trip to India last month.

I agree with much of what Kenneth says, such as on the Indians' economic capabilities and on the link, as they see it, between their export performance and ability to import capital goods from countries like ourselves. We all wish to encourage British companies to look at the Indian market: with sound economic management on India's part and the cushion provided by the IMF loan, prospects there should remain good.

As for the means, such as Kenneth suggests in his reference to joint consultative groups, we should in my view look first to the fuller utilisation of existing machinery, notably the Indo-British Economic Committee (IBEC) and its sub-committees. The Indian Commerce Minister and myself jointly chair IBEC: its next meeting will be in London this Summer, probably June. It would also be helpful to make sure that officials from my Overseas Trade Division 4 and



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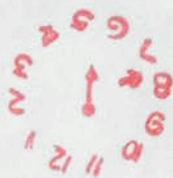
PEP are fully involved in any contacts which the Department of Industry may have with specific industrial sectors on the Indian market to follow up Kenneth's visit.

I am copying this to Peter Carrington and to the Prime Minister.

Yours

John Biffen

JOHN BIFFEN



15 FEB 1982



SECRETARY OF STATE

INDIA - "THE GREAT GAME"

Throughout the 19th Century, several European countries vied and struggled with each other to control the trade with India. We won, and even towards the end of the century, as readers of Kim will remember, the British and Russian empires almost came to blows over the control of the North West Frontier passes. A trade war is again raging over the sub-Continent, but this time, apart from the European nations, there are the Japanese and more crucially a rapidly developing Indian owned and managed industrial base.

India has developed to the stage where she is self sufficient in food and although there are enormous inequalities and geographical imbalances and the ever present threat of natural disaster, there is a rapid growth in her own industrial capability. For some time however, this will not be able to meet the burgeoning demands in engineering, in power generation, electronics and consumer goods. These will only be met through partnership investments in which the western countries provide the know-how and technology and transfer them to Indian companies. There is a large under employed skilled, and in many cases, very well educated workforce. Basic engineering skills are well established and the Indians are rightly proud of their export achievements in such projects as building a cement works in Indonesia and reorganising and re-equipping the Nigerian railways.

India is running a very substantial trade deficit and can only continue to do so through the large IMF loan which has been recently negotiated. However, we must recognise that she can only follow the current policies if her own industries can develop exports and one of the prime objects of any joint ventures between British and Indian firms should be to achieve this. Some of our joint ventures are already doing this. Systime, a British software company has a subsidiary in Bombay using Indian software engineers to export packages overseas. Several companies are establishing subsidiaries in India to export into Russia, particularly those able to tap the technologies freely available in South East Asia.

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Britain's trade with India has expanded rapidly. In 1980 we exported £529m worth of goods and have a favourable trade balance of £213m. This year we could well sell more to India than we do to Japan and within a few years, could be selling more than we do to Australia or Canada.

We won the steelworks contract and are now chasing a power station and mine development project worth over £240m. Leyland is well established in partnership with Ashoka for trucks and we are offering them the complete production line of the ITAL and now discussing the manufacture of the METRO as the basic people's car of below 1000 cc. Several British companies are well established in joint ventures such as GEC who employ about 20,000 Indians. When I was there Pye TV of Cambridge won against Japanese competition, the order for the first four outside broadcast vans for colour TV transmission for the Asean Games this September. British technology will therefore bring colour TV to India.

We are well placed because of our long association and such bitterness as there was over independence has evaporated. Our High Commission has a special place in the labyrinth of Delhi politics. We provide the largest amount of aid; the commercial team in the Commission is very professional and has been strongly supported by our own PEP Division under Chris Benjamin. English is the unofficial 'basic' language - entrants to the Indian Civil Service are allowed to take the exam in any of the sixteen Indian languages and 96% of them take it in English and 4% in Hindi.

These are strengths which we should be prepared to use more vigorously. The competition is fierce and the Japanese, hitherto not very interested, as the market for consumer goods is limited, are beginning to show some interest. They are certainly bidding to dominate the market for telecommunications equipment and we must fight them hard over this. Over the next few months I intend to encourage British companies to look seriously at the Indian market and set up some joint consultative groups similar to the one that is working well in the mining industry.

The British industrial effort has been enormously encouraged by the visit of the Prime Minister and John Biffen. I think that it is important to keep up the ministerial presence and I suggest that you should consider visiting India within the next 12 months.

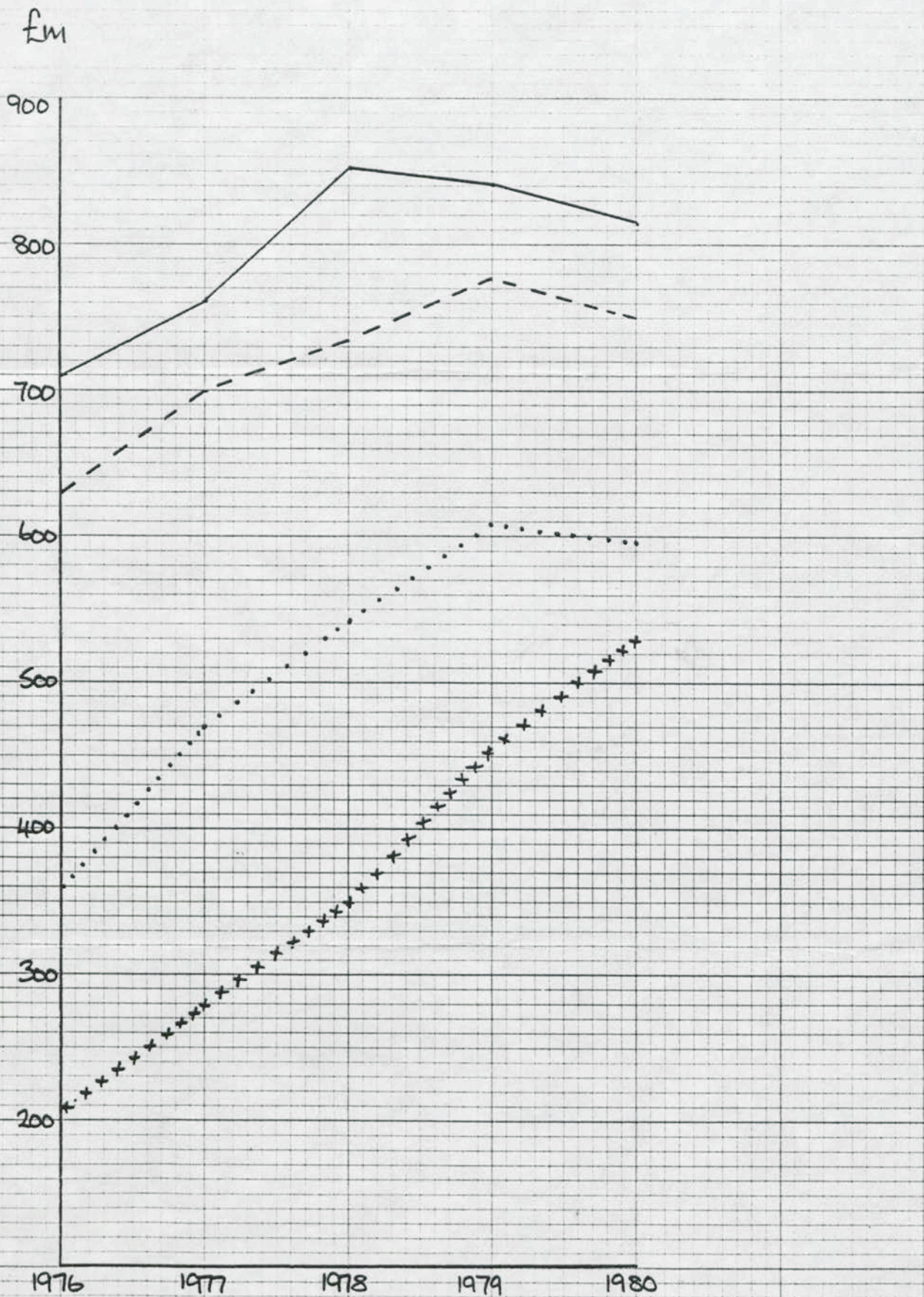
I am copying this to Peter Carrington, John Biffen and in view of Mrs Gandhi's impending visit to the UK for the Festival of India to the Prime Minister.

KB

KENNETH BAKER
29 January 1982

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