

PS TO PM NO 10 DOWNING STREET

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FRAME EXTERNAL
FM FCO 161600Z FEB 82
TO PRIORITY DELHI
TELEGRAM NUMBER 159 OF 16 FEBRUARY
INFO SAVING UKREP BRUSSELS

INDIAN TEXTILES

1. FOLLOWING A GROWTH IN THE IMPORT OF CATEGORY 29 WOMENS WOVEN SUITS FROM 250,000 IN 1979 TO 800,000 PIECES IN 1981 (MILL MADE QUOTA 123,000 IN 1979/128,000 IN 1981) CUSTOMS CONDUCTED A SPECIAL EXERCISE ON EIGHT RECENT CONSIGNMENTS ALL OF WHICH WERE FOUND TO BE FRAUDULENTLY DECLARED AS HANDLOOM GARMENTS.
2. THEY INFORMED THE DOT LATE FRIDAY 12 FEBRUARY THAT THEY INTENDED TO VERIFY ALL IMPORTS COMMENCING MONDAY 15 FEBRUARY BUT DELAYED ACTION TO TODAY 16 FEBRUARY TO ENABLE MINISTERS AND THE PRIME MINISTERS' OFFICE TO BE INFORMED. FURTHER CONSIGNMENTS WERE IMPOUNDED TODAY AND IMPORTERS ARE BEING QUESTIONED BY CUSTOMS OFFICIALS.
3. THE MINISTER (ECONOMIC) PRASAD AT THE INDIAN HIGH COMMISSION WAS INFORMED TODAY BY THE PERMANENT SECRETARY DOT OF THE CUSTOMS ACTION. PRASAD EXPRESSED DEEP CONCERN AND OFFERED THE COOPERATION OF THE GOVERNMENT OF INDIA IN ESTABLISHING THE BONA FIDES OF GENUINE HANDLOOM ARTICLES POINTING OUT THAT THE INDIAN AUTHORITIES DID NOT WISH TO BE PARTY TO FRAUD. IN RESPONSE TO A QUERY HE WAS ASSURED THAT INDIAN IMPORTERS WOULD NOT BE SUBJECTED TO HARASSMENT.
4. IMPORT VOLUMES OF CATEGORY 29 ITEMS FLUCTUATE WIDELY BUT HAVE BEEN AS MUCH AS POUNDS 70,000 IN SOME WEEKS AND FOR THE WHOLE OF 1981 WERE POUNDS 3.63 MILLION. THERE IS NO DOUBT THAT MILL MADE GARMENTS HAVE BEEN DECLARED AS HANDLOOM IN ORDER TO EVADE QUOTA RESTRICTIONS, AND CUSTOMS ARE UNDER AN OBLIGATION TO ENFORCE THE LAW.
5. WE WILL LIASE CLOSELY WITH DOT/DOI AND CUSTOMS AND ADVISE

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YOU OF DEVELOPMENTS. YOU MAY WISH TO ADVISE THE INDIAN
AUTHORITIES OF WHAT HAS TAKEN PLACE.

6. BY AN UNFORTUNATE COINCIDENCE CONSIGNMENTS OF OTHER INDIAN
TEXTILES HAVE BEEN HELD UP AT HEATHROW BECAUSE OF A
DISPUTE RELATED TO DOCUMENTATION AND THEIR ADMISSABILITY UNDER
THE 1981 OR 1982 QUOTA YEAR. FOLLOWING DOT INTERVENTION THEY
HAVE BEEN RELEASED.

7. THE UK IS NOT ALONE IN THE EC IN HAVING PROBLEMS WITH INDIA
OVER SUSPECTED FRAUD IN THE TEXTILE SECTOR. THE COMMISSION IS
AWARE OF THE SITUATION AND WILL SHORTLY BE DISCUSSING WITH MEMBER
STATES HOW TO RESPOND TO AN INVITATION TO SEND A TEAM TO INDIA
TO EXAMINE HANDLOOM AND FOLKLORIC PRODUCTION. FOR YOUR OWN
INFORMATION THE UK WILL PROBABLY SPEAK IN FAVOUR OF A POSITIVE
RESPONSE BUT THIS INITIATIVE IS UNLIKELY TO BE OF ANY HELP IN
RESOLVING THE CURRENT PROBLEM.

CARRINGTON

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