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MINISTER OF STATE FOR DEFENCE
PROCUREMENT

Prime Minister

I have highlighted a

few points.

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Secretary of State

A.S.C. 29.
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1983

— Geoffrey Pelling

VISIT TO INDIA 18TH-27TH APRIL - MINISTER(DP) AND HDS

I attach a general summary of this visit. HDS will write separately on the sales aspects and a record of the meetings will also be issued. In the meantime I thought you would wish to have this summary.

General Comments

2. India's relationships with Britain since independence have been complex. So many of the senior generation were trained in Britain or by the British that they have a quick appreciation of British attitudes and very often genuine affection and nostalgia too. At the same time there is evident a fierce pride and a determination to do things for themselves "to indigenise". They resent needing help and yet they accept that they must have help in advanced technology. They will reject anything which smacks of charity but they will bargain with all the skill of the street trader in order to extract the last ounce of advantage in a transaction.
3. It is a cliché to describe India as a country of contrasts but as it happens nowhere is this more true than in technology. This really is the country of the satellite (the latest one being successfully launched the day before my arrival) and of the bullock cart. In the past the Indians have wanted to squeeze the last drop of advantage in terms of access to our research and they always seek the most advanced version of any system thereby posing difficult security problems for us. When they are buying they play off France, Russia and ourselves and our companies find that even a "best and final offer" has to be subjected to still further improvement to satisfy Indian requirements.
4. Despite their apparently insatiable demands for knowledge we have done some substantial business in India the most significant example of course being Jaguar aircraft. Indian confidence in us was shaken by problems over the supply of spares during the first war with Pakistan. On top of this they have a hitherto well founded belief that Britain is mainly interested in selling them equipment which while not being obsolescent is not the most advanced either.

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5. The fundamental policy issue is whether we attach importance to having good relations with India. If we do, and I would have thought it was to our advantage to do so, then one of the best ways to secure such good relations is in the field of defence co-operation. The gradual emergence of pockets of indigenous Indian advanced technology should assist in a process which I have described to the Indians as technology sharing rather than simply technology transfer. Sharing implies that they could have a genuine contribution to make and certainly in the 'DARIN' navigation/attack system developed for Jaguar with help from British and French firms they have a system which could well be of interest to us. Possibilities also occur for sales to third parties from joint programmes.

6. It is of course essential to keep Indian possibilities in perspective. For a long time to come they will need far more from us than we will get back but the new so called umbrella Memorandum of Understanding now in draft will provide for regular exchanges on a range of projects and issues. Nor should the importance of inter service contacts such as the visit here by the Indian CNS be underestimated. The central aim must be to convince the Indians that we are serious in wanting to work with them and by indicating that we are prepared to supply Sea Eagle with the Sea Kings and to supply Blindfire Rapier at some future date. We have given firm evidence of our intentions.

7. I have however indicated to the Indians very clearly indeed that the sort of relationship which is envisaged requires a healthy amount of working capital in the short term and our test of their sincerity will be the award of contracts. Currently we are very close to a £200 million deal on Sea Kings and the betting is that we will succeed. We will however believe it, and celebrate accordingly, when we see the signatures on the contracts.

Description of the Visit

8. Our visit to India took place at an important time in the development of UK/Indian relations in the Defence equipment field, and indeed at a significant stage in the development of India's own Defence procurement policy. This policy rests on two planks: India's ability to choose the most suitable equipment from either East or West without falling under the influence of either bloc; and their firm aim of building up their own Defence industries, which leads to demands for at least a measure of licensed production to be associated with any contract. (It is noteworthy that in the case of much Soviet equipment this is not the case).

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9. Beyond this, however, a number of conflicting themes are evident in their policy. Their plans to develop a new MBT call for a totally Indian design, since they believe they are totally capable in this area. Conversely, the Indians are likely to place competitive feasibility studies with the UK and the Soviet Union for the design of their proposed Light Combat Aircraft (LCA), and they understand that this project will require the closest collaboration with their chosen partner over the whole range of the technologies involved. Again, while wishing in many cases to take advantage of the relatively low cost of Soviet equipment, the Indians realise that the Russians are rarely prepared to offer much transfer of technology. However, in the area of marine engines it was claimed that the less sophisticated Soviet equipment was more suited to indigenous manufacture and maintenance than the relatively high technology Rolls Royce gas turbines we have on offer.

10. Overall I would judge that the Indian desire to renew and build on their traditional Defence links with Britain, which became apparent during Sir John Nott's and PUS' visits to India last year and the recent visit to the UK by Defence Secretary Kaul and Scientific Adviser Aranachalam, is strengthening. I detected that the Indians are becoming disillusioned with their relationship with the Soviet Union and are irritated by the Russians patronising attitude towards them. In particular, the recent visits to India by the Defence scientists' team lead by ACSA(R) and DCA(RT)'s team to discuss collaboration on the LCA project have persuaded the Indians that Britain is prepared to assist India to develop her own technological and Defence industrial base, and to work towards a '2 way street' in Defence business. However, apart from the less tangible benefit of reducing Soviet influence in India, this process will only pay dividends to the UK if it leads to our winning more Defence equipment orders than would otherwise have been the case. The Indians, of course, will not be slow to exploit every opportunity of gaining the maximum amount of information and assistance for the minimum cost. During my meetings with Indian officials I made it clear that British help in the longer term was dependent on a significant proportion of the forthcoming Indian Defence equipment orders being placed with British companies.

11. Against this background, the Indian MOD will shortly be taking decisions on a large number of equipment programmes worth in all about £1 Billion but it must be emphasised that the timing of the expenditure is uncertain. The prospects include Sea King Helicopters, Sea Eagle Missiles, Sea Harrier aircraft, Rolls Royce Marine gas turbines, and Airborne Early Warning system, Rapier, Combat Engineer Tractors, Vickers RR CV12 engine for Indian MBT and FH70 field guns. An analysis of the current position on Defence Sales prospects will be included in the Defence Sales report of the visit.

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12. The programme for our visit included calls on the C in C Western Naval Command, Vice Admiral Tahiliani; and the Mazagon Dock Shipbuilders in Bombay, the HAL aircraft and aero engine factory and the National Aircraft Laboratory in Bangalore, and the Avadi tank factory and the Combat Vehicle R & D Establishment at Madras. I then travelled to Delhi for discussions with Indian MOD Ministers and senior officers and officials. An outline programme is at Annex and detailed records of my meetings will follow.

13. In Bombay, Admiral Tahiliani, though most hospitable, was highly cautious in discussing the equipment programmes of interest to us, and I would judge this was on instructions from Delhi, Tahiliani is also believed to be pro-French. The visit to Mazagon Dock Shipbuilders was mainly of interest for the view we had of the two Godavari Class frigates currently being built there. These heavily armed ships have a modified Leander hull design and engines with Soviet anti ship and anti aircraft missiles, guns and torpedoes, and longer space for two Sea King size helicopters. These ships illustrate the very powerful weapon systems the Indians can build for themselves using both Western and Soviet designs and equipment, even though the overall level of technology used is not high and the construction techniques are unsophisticated.

14. The HAL aircraft company has been established since 1940 with its headquarters at Bangalore. It has produced a variety of aircraft and aero engines under licence, including several MiG types, Alouette Helicopters, BAe 748s and of course currently the Jaguar and the RR Adour engine. Their production facilities are modern and spacious but are very lightly loaded and there is a considerable gap in forecast production in the Bangalore aircraft production facility, between the end of the Jaguar line (late 1980's) and the start of LCA production (not realistically before the mid-1990s). HAL's main problem has been in the design field and no indigenously designed aircraft nor any modifications to imported designs have been successful. The Indian Press and Politicians have become very critical of the lack of return on the major investment made in design staff and facilities, and the management of HAL is clearly under considerable pressure to succeed in producing a practicable design to meet the LCA requirement. This project will undoubtedly become a major collaborative programme between HAL and a Western or Soviet aerospace organisation. Following DCA(RT)'s visit to HAL earlier this year and a follow up industrial delegation, BAe are well placed to be chosen as HAL's partner. BAe have submitted a proposal for a funded feasibility study and it is thought that the Soviet Union will make a proposal shortly.

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15. The one exception to India's lack of success in the aerospace designing field is the DARIN project to produce an improved Nav/Attack system for the Jaguar. This equipment is being developed collaboratively by HAL, Sagem of France, Ferranti and Smiths Industries and the programme is now well advanced. Ignoring security restrictions HAL showed HDS, the Air Adviser and myself a prototype Darin system installed in a Jaguar aircraft at the ASTE Test Establishment. It looked impressive, and this project raises interesting possibilities for the development of a two way street between UK and India. The Darin systems should not only be suitable for our own Jaguars but also for the Tornado ADV (giving it a ground attack capability attractive for 3rd country sales), and perhaps most importantly it could be installed in a single seater Hawk, turning that platform into a most effective ground attack and offensive support aircraft which should be a very attractive buy for less sophisticated foreign air forces.

16. The other strand to this idea lies in the Hawk aircraft itself. The Indian Navy and Air Force both need a swept wing jet trainer to prepare their pilots for Sea Harriers, Jaguars, MiG 23 series and Mirage 2000. HAL already produce the Adour engine, and production of the Hawk at Bangalore would go a long way towards solving their problem of underloading. It will not be easy to persuade the Indians to produce the Hawk since they are developing a (quite impractical) twin seat version of the Ajeet to meet their initial training requirement, and have a swept wing planned for the mid-90's. The mutual benefits of such a programme could however be considerable.

17. The new Chairman of HAL, Air Marshal Katre is a key figure who should be able to balance HAL's needs against the IAF's requirements. During my meeting with him his principle concern appeared to be the future loading of his factories. He is coming to the UK after the Paris Air Show and he accepted an invitation to fly in a Hawk. Katre is also involved in formulating India's AEW policy and he seems to favour fitting a sophisticated package with a 250 mile range into an HAL produced BAe 748 - not presently of course feasible.

18. My discussions at the Avadi tank factory and the CV R&D Establishment near Madras concentrated on the prospects of the RR CV12 engine being chosen for the re-engining of the Indian Army's Vijayanta tanks and Noel Davies of Vickers accompanied the UK party during my calls. Vickers stand a good chance of winning this contract and have put a considerable effort into designing their package to fit the Indian tank. Two RR engined Vijayantas are currently undergoing hot weather trials. This contract could enable further progress to be made on the 2 way street as Vickers are interested in using Indian castings for engine production in UK (castings are currently imported from Germany).

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19. The Commandant of the CV R&D Establishment, Brig Chawla, has been tasked with designing a totally Indian new tank to be in service by the end of the 80s. This he at least knows is beyond his capabilities and he has commenced using consultants on some work - e.g. Laser Engineering of UK who are presently working on running gear designs at Avadi. He is very keen to take up an invitation to talk to Dr Ellis, Director of MVEE, for guidance in his mission and when we were in Delhi the scientific adviser, Dr Avanachalam, agreed to Chawla making the visit if he had the time. There is a major opportunity here for British suppliers but it must be handled sensitively.

20. During my first day of calls in Delhi I met my opposite number, Singh Deo. He had little of interest to say except to extol the merits of Sea King and Searchwater radar to meet India's AEW requirement (obviously on the basis of Naval lobbying). I also met the Chief of Naval Staff, Admiral Dawson who showed none of his reputed pro-British leanings, and appeared almost hostile. He avoided commenting on issues of sales interest to us, repeatedly changing the subject by the introduction of subjects of his own choice particularly the poor performance of some items of British equipment. However my calls on Dr Aranachalam and Mr Sarin, Secretary of Defence Production, were constructive. Dr Aranachalam is giving AEW high priority and was pleased with his recent visit to Britain. I talked about the possibilities of future co-operation on the LCA and tank programmes and Aranachalam responded positively. He then turned the discussion towards co-operation on areas of fundamental research such as solid state electronics and software. I was non-committal on this subject but agreed on the necessity to keep the dialogue going. Mr Sarin's concerns were focussed on HAL's problems of loading. When I mentioned the Hawk he appeared interested and asked for all the information we could give him on the aircraft, but he said that the Air Force would have to be convinced of the merits of the aircraft before he could take any action.

21. April 26th was a most satisfactory day during which I paid calls on Air Chief Marshal Dilbagh Singh (Chief of the Air Staff), Mr P K Kaul (Defence Secretary) and Mr R Venkataraman (Minister of Defence). The latter visit was arranged on the last day and, in Indian terms, was the 'official' indication that the visit had been well received.

22. With Dilbagh Singh we had a lengthy discussion on the potential benefits of the Hawk to the IAF; as a trainer, as a contender for the IAF aerobatic team; and as a 'gap filler' for Hindustani Aeronautics Ltd between the Jaguar and the LCA programmes. I also stressed the export potential of the aircraft, especially if it were fitted with the 'DARIN' system. Dilbagh Singh was obviously interested. Kaul was, if anything, more forthcoming. He did not rule out the possibility of buying an established aircraft and stated that the matter should be reviewed at the end of 1983.

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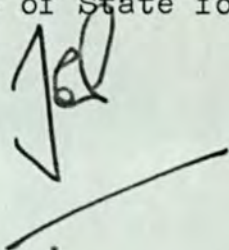
23. On AEW (Fixed Wing) the IAF have problems. Their requirement is for a NIMROD type of system but they almost certainly would not be able to afford it. Other possibilities exist and I offered to send an experienced RAF team to liaise with the IAF and share on a service to service basis the knowledge we have gained. This was enthusiastically welcomed by Dilbagh Singh, Kaul and Venkataraman. It was seen as another clear example of the improving Anglo/Indian relationship.

24. Kaul sees the 'umbrella' MOU, currently in draft, as the vehicle by which technology sharing would be developed. Once agreed (which should be very shortly) he saw merit in both countries listing possible areas for future collaboration. On this subject I repeated my earlier offer for Brig Chawla to visit the UK to discuss the problems involved with developing a Main Battle Tank. Both Kaul and Venkataraman endorsed this approach.

25. Finally, being only too well aware of the current state of the negotiations on Sea King, with both Kaul and Venkataraman, I emphasised our desire to develop short, medium and long term plans for future co-operation between our two countries. However such a commitment on our part required some early 'working capital' to be provided by the GOI, a point which obviously registered.

26. On the question of future Jaguar production, Venkataraman was pressed to clarify his recent statement in the Indian Parliament that there would be no further licence production of Jaguars at Bangalore following completion of the batch of 31, a batch which in turn follows the earlier batches of 40 and 45. The Minister explained that the batch of 31 would take production through until the end of the decade and that by then the technology would be relatively outmoded. It was pointed out to the Minister that the economic benefits of a lengthening production line would be an increasingly significant factor particularly when the possibility of adapting and modernising avionics and other systems was taken into account. The Minister said that his mind was not closed to the possibility of further production beyond the 31 but that at this stage such production was not envisaged.

27. I have sent copies of this minute to the Prime Minister, the Foreign Secretary and the Secretaries of State for Industry and Trade.



28th April 1983

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