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PRIME MINISTER

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Before you visit India to attend the Commonwealth Heads of Government Meeting at the end of this month, I thought you might like to have the attached assessment of prospects for winning significant business in India, prepared by Kenneth Baker following his visit there in early September. If you are willing, it could well be opportune for you to raise some of these projects with Mrs Gandhi: we shall update nearer the time.

2 As you will note, the good prospects in several areas are related to our capacity to provide attractive finance involving contributions from our large bilateral aid programme to India (subject to ODA appraisal requirements). I am therefore sending a copy of this to Geoffrey Howe and Timothy Raison.

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7 November 1983

Department of Trade and Industry



SECRETARY OF STATE

MAJOR EXPORT OPPORTUNITIES IN INDIA

There are a number of major project opportunities and other initiatives which have a good chance of being brought to fruition in the coming months bringing substantial business to the British companies.

Steel Projects

The Daitari steel project which the Prime Minister discussed with Mrs Gandhi in September 1982 has been postponed because of lack of resources. Instead we have been pursuing involvement in Indian Government's plans to modernise the steelworks at Durgapur at a cost of around £300m. I visited the plant and there is no doubt that it is in urgent need of modernisation. A wide range of British companies that could benefit are Davey, GEC, Cleveland Bridge, Babcocks and BSC. The Indian Minister concerned was enthusiastic about this project has asked for BSC to play a leading role in this. Outline financial proposals for British involvement, including bilateral aid, were submitted in August. We are still awaiting a response which may be forthcoming during the Prime Minister's visit for CHOGM, but I had the feeling that, at Ministerial level at least, there was interest on the Indian side in bringing the project forward to coincide with the meeting of the two Prime Ministers.

Telecommunications and Electronics

Despite the loss of an order for System X, the Indian market provides enormous scope for British telecommunications technology and products. Continuing efforts are being made to secure a significant long-term footing in the Indian market: we have agreed to set up an inter-Government liaison group on the lines of the group that exists for coal development to discuss telecommunications and electronics co-operation: we have proposed a study, to be carried out by British Telecom, of India's digital transmission network requirements with emphasis also on microwave links between the main business centres.

I gave the Indian Minister of Communications a specific proposal this week for a microwave link between Bombay and Madras; this is worth about £11m and would be done by GEC. Individual major UK companies are pursuing specific business

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notably Plessey for a contract for rural exchanges, worth up to £25m, supplying the same UXD5 exchanges which have been given to India for the communications links to the Goa weekend retreat for the Prime Minister.

The Indians have shown great interest in the microcomputers in schools schemes we have set up in Britain. They have already placed an initial order for the BBC Acorn microcomputer and are very interested in collaboration with Acorn in establishing an Indian manufacturing and development base. Acorn are pursuing this and have also co-operated in providing 5 sets of networked educational computer systems which the Queen will give to the President of India for the main teaching training centres of India.

Non-ferrous sector

There appear to be excellent prospects of GEC winning a £140m contract to build a captive power plant for the Bharat Aluminium Company. I was able to put forward an attractive finance package including bilateral aid to the Minister when I was in Delhi.

Another project proposed for aid programme support is construction of a smelter and captive power plant for Hindustan Zinc. Davy would be the lead UK contractor and UK content would be approximately £100m.

Coal sector

Orders, totalling up to £80m, should shortly begin to be signed for the Amlori open cast mine (which is associated with the Rihand power station). Prospects for other coal equipment sales, assisted by regular meetings of an inter-governmental steering group, continue to be good.

Offshore Sector

Westland are bidding, against US and French competition, for a contract worth £60m to provide 21 helicopters for offshore oil support and 6 helicopters for the use of Indian "VVIP's" such as the President and Prime Minister. They have recently satisfactorily demonstrated the WG30 in India.

Other Business

Looking further ahead it is quite clear that other major opportunities, particularly in the power sector where increased capacity is urgently needed, are in prospect.

KB.

KENNETH BAKER

3 November 1983

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