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FM DELHI 110800Z JAN 82

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TO IMMEDIATE DOT

TELEGRAM NUMBER CRED A 11 OF 11 JANUARY.

INFO ROUTINE FC0, ODA, MANILA (FOR BENJAMIN).

FOR MATHRANI (PEP): ORISSA STEEL PLANT

1. I AM BEGINNING TO HEAR DISQUIETING NOISES ABOUT WHETHER THE INDIANS WILL GO AHEAD WITH THE PROJECT. AT PRESENT I DO NOT THINK THERE IS A SERIOUS QUESTION BUT THAT THEY WILL. HOWEVER, NO OVERT PROGRESS HAS BEEN MADE SINCE SEPTEMBER SEMICOLON THERE ARE MANY RUMOURS THAT THE PROJECT IS IN TROUBLE, ESPECIALLY BECAUSE OF THE FRENCH LOAN POSITION SEMICOLON THERE ARE PRESS REPORTS OF WORLD BANK OPPOSITION TO INDIA INCREASING HER STEEL MAKING CAPACITY AT PRESENT AND ALSO OF A DECLINING DEMAND FOR STEEL IN INDIA SEMICOLON AND IT APPEARS THAT DEMAG HAVE NOT YET GIVEN UP AND ARE PRESSING THEIR CASE FORCEFULLY AND REPEATEDLY. AT PRESENT DEMAG ARE BEING HELD AT ARM'S LENGTH WITH SUGGESTIONS THAT THEY WILL GET THE VIJAYANAGAR PLANT, BUT EVERYBODY IN THE KNOW IS AWARE THAT THIS PLANT STANDS NO CHANCE OF RECEIVING GOVERNMENT OF INDIA APPROVAL FOR A CONSIDERABLE TIME TO COME. THIS MUST SOON BECOME APPARENT TO THE GERMANS IF IT HAS NOT DONE SO ALREADY, AND WHEN THIS HAPPENS THEIR ATTACK ON THE AWARD OF THE ORISSA CONTRACT TO DAVY IS LIKELY TO INTENSIFY.

2. FOR ALL THESE REASONS, TO SAY NOTHING OF CONSENSUS RATES AND AID REQUIREMENTS, I BELIEVE IT IS IMPORTANT THAT WE SHOULD GET SOMETHING SIGNED VERY SOON EVEN IF IT IS NOT A MAJOR PART OF THE WHOLE AND EVEN IF IT LATER HAS TO BE AMENDED. I WOULD LIKE TO HAVE SOMETHING SIGNED THIS MONTH - AND SO WOULD PRANAB MUKHERJEE, MINISTER OF STEEL - BUT I REGARD IT AS NEARLY ESSENTIAL THAT AT LEAST ONE AGREEMENT OR MOU SHOULD BE SIGNED BEFORE THE INDIAN PARLIAMENT REASSEMBLES TOWARDS THE END OF FEBRUARY. I HOPE THAT WHEN CHERRETT RETURNS HERE LATER THIS WEEK, HE WILL BE PRIMED TO TELL ME WHAT CAN BE DONE AND WHAT IF ANYTHING ARE THE DIFFICULTIES (AND PLEASE SEE OUR CRED A 9). I DO NOT THINK WE WOULD ENCOUNTER SIGNIFICANT DIFFICULTIES AT MINISTERIAL LEVEL HERE.

THOMSON

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