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From the Secretary of State

Rt Hon Leon Brittan QC MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
London SW1

Amrit Chif Secretary, refs.

MB 3/12.

30 November 1982

Leon Brittan
INDIA: ORISSA STEEL PROJECT

I am grateful to colleagues for reacting swiftly to the proposals in my minute of 2 November. The High Commissioner has now submitted the list of preferred UK packages to the Indian Ministry of Steel and their reactions are awaited. No indication has yet been given to the Indians of the amounts of aid which might be associated with our bid.

However, once the Indians do react we will probably get drawn quickly into discussion of the financial support for the project. I am as concerned as you are to provide the minimum aid necessary to secure substantial UK participation, but the tactics of how we deploy what we are prepared to give must, in my view, depend on how the Indians respond to our proposals. I must therefore take issue with your view that our initial offer should necessarily be less than £100m. The level of UK supply in the packages we have proposed to them is broadly similar to the final Davy bid. The Indians have made it clear that they would expect any new financial package to be broadly comparable with that previously available. You will recall that originally £100m of special aid was offered in support of Davy's bid which was later increased to £120m. I believe therefore that if we were to offer the Indians only £80m of aid in support of a UK package of this size there is a very real danger that our offer might be rejected immediately. The High Commissioner shares this view. We would then need to offer the larger sum with nothing gained but damage to our negotiating credibility. This is not a risk we should be prepared to take especially as the Russians, Germans and Japanese are already pressing their claims with the Indians for participation in this project.



From the Secretary of State

I of course agree that the amount of aid should be reconsidered if the amount of business offered to the UK is less than the proposed £650m. Indeed, in these circumstances and particularly if some of the more industrially important packages are removed, it could well be appropriate to reduce our initial offer more than proportionately. But these are tactics which can only be judged when we have the Indian response. I would meanwhile be grateful if you could for the reasons I have explained reconsider your view that less than £100m should be offered for the full £650m package.

I am copying this to the Prime Minister, the other members of EX and to Neil Marten.

LORD COCKFIELD

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India.



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Treasury Chambers, Parliament Street, SW1P 3AG

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Rt Hon Lord Cockfield
Secretary of State
Department of Trade
1 Victoria Street
London SW1H 0ET

13 December 1982

R. Arthur

INDIA : ORISSA STEEL PROJECT

Thank you for your minute of 30 November.

I continue to have doubts about the tactic of making our opening offer our final bid, particularly when I recall how the Indians argued our contribution up during the Davy negotiations. But I understand that Francis Pym and Neil Marten do not dissent from your proposal and you are of course closest to the detailed negotiations. I therefore agree that, if you judge it right, the initial offer should be the full £100 million, subject to the other points set out in paragraph 5 of my earlier minute.

I am copying this minute to the Prime Minister, the other members of EX and to Neil Marten.

Leon Brittan

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