



OVERSEAS DEVELOPMENT ADMINISTRATION  
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AJC OK Yes.  
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I think the h-a.  
PM already knows  
X?  
MS 1/9

From the Minister

5 August 1983

Dear Michael,

DF 23/8

INDIA : ORISSA STEEL PLANT

You may be interested to know that ODA officials took the opportunity of the recent six-monthly Aid Talks with Indian officials to raise the question of where we stood on the Orissa steel plant. You will recall that, after the Indians rejected the bid from Davy McKee, which was associated with an offer of aid, last year, there have been various exchanges in Delhi.

The record of the Aid Talks states that it was agreed that the question of aid funding should not be considered further until the Government of India had reassessed the project and that meanwhile no provision need be made for it in the expenditure forecasts. We interpret this as being a polite formula for recording that the Indian Government, which is finding it difficult to finance all the public sector expenditure until recently envisaged, has in effect written off for the foreseeable future the projected major new steel plant in Orissa.

The Indians still retain a strong interest in modernising the large steel plant in Durgapur, in the original construction of which British aid was involved. Some £215 million of imported content is likely, although up to £400 million might be involved. At the Aid Talks, our side undertook to consider a financial proposal for Durgapur, which might include either straightforward aid or mixed credit. ODA and DTI officials are now pursuing this. The British Steel Corporation has already been heavily engaged in showing the Indians what our industry could offer.

I am copying this to John Holmes and to Ruth Thomson (DTI).

Yours ever,  
Mike Power.

(M A Power)  
Private Secretary

Michael Scholar Esq  
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5 AUG 1983

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