



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1

Telephone 01-~~8307022~~ 218 2111/3

MO 6/11

2nd March 1984

Dear John

CREDIT FOR DEFENCE SALES TO INDIA

The Prime Minister wished to be kept in touch with developments on discussions with the Indian Government on credit for future defence purchases from Britain. The Indian Minister of Defence, Mr Venkataraman, raised the matter with the Prime Minister in November last year.

MOD officials have had a first round of discussions in New Delhi, and the matter now rests with the Indian Government. They are currently looking for credit for all their major defence purchases as a matter of policy. But it became clear that rather than a simple line of credit with us, the Indians are seeking longer term arrangements for a soft credit package. Although realising that they could not expect the same very advantageous terms available to them from the USSR, they asked if government-to-government finance could be made available on the basis of no less than 12 years repayment from delivery, at an interest rate of no more than 6½% per annum.

The MOD team explained that, while willing to be flexible in our approach to major contracts, we would have difficulty with terms of the kind that the Indians were suggesting. The Indians were however given a full explanation of ECGD cover arrangements and their advantages. Although the ECGD system appeared to be acceptable, clearly the normal terms applicable were not. Accordingly we can perhaps expect an approach for an undertaking to give softer than normal terms, but to be applied on a case by case basis. This will be most relevant in cases where there is competition - from, say, France or the United States - which is prepared to oblige. Credit terms are clearly going to play an important part in our efforts to secure a major piece of the Indian defence market estimated at more than £2,000M over the next 5 years.

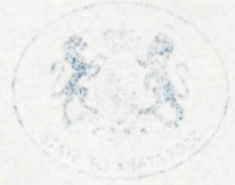
I am copying this letter to Peter Ricketts (FCO) and Ruth Thompson (DTI).

Yours ever
Simon Lowe
(S H LOWE)

Reference : Series :

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1

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10 DOWNING STREET

From the Private Secretary

5 March, 1984

CREDIT FOR DEFENCE SALES TO INDIA

Thank you for your letter of 2 March to John Coles. The Prime Minister has noted the contents of your letter without comment. She was grateful to be kept in touch.

(David Barclay)

S.H. Lowe, Esq.,
Ministry of Defence

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