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Prime Minister.

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PRIME MINISTER

VISIT TO INDIA, 8-14 JANUARY 1984

I visited India from 8 to 14 January: the principal purpose of this was to act as co-Chairman (with Mr V P Singh, Minister of Commerce) of the Indo-British Economic Committee (IBEC). During my stay in New Delhi I met a number of Indian Ministers including Mrs Gandhi. I then went on to Bombay, where I addressed the Bombay Chamber of Commerce and Industry and had discussions with a group of businessmen from the Indo-British Business Committee.

2 The meeting of IBEC - at which our delegation was composed of officials from my Department and from the High Commission together with six businessmen with connections with India - dealt with a number of detailed issues of bilateral concern: these included India's quota for exports of sugar to the EC, Aflatoxin contamination of animal feedstuffs, textiles, remittances, EC duty on tobacco, co-operation between British and Indian companies on projects in a number of industrial sectors, both in India and in third countries and ways of meeting India's concern over her adverse balance of visible trade with the UK. The businessmen and officials participating both on our side and the Indian side told me that the IBEC meeting provided a very



useful forum where bilateral difficulties could be aired and solved: I was particularly interested and glad to learn that the business people - many of whom had never before taken part in such an event - were clear that the Committee was of practical use in its present form (meetings take place roughly every 18 months, alternately in London and in Delhi). The detailed matters discussed at IBEC will now be taken forward at official level, or between the business interests concerned.

3 While I was in New Delhi, I was able to have detailed discussions with a number of Indian Ministerial colleagues: the Ministers of Commerce, Industry, and External Affairs at Cabinet level, and the Ministers of State for Tourism and Civil Aviation, Science and Technology, and Steel and Mines. I also had a short but useful interview with Mrs Gandhi, at which I raised a number of project interests (notably the modernization of the Durgapur steel plant, the captive power plant for Balco, and the re-equipment of Indian Airlines). A copy of the High Commissioner's note of the meeting is annexed. Mrs Gandhi asked me to pass on her very best wishes.



4 During my visit, we were able to secure the signing of a joint Plan of Action for Indo-British co-operation on computer education in schools : this builds on the Memorandum of Understanding which you and Mrs Gandhi signed on 16 April 1981, and involves exchange visits by Indian and British experts, possibly with a view to provision of computer hardware and software, educational software, and training and consultancy facilities from Britain. In addition, we and the Government of India would consider co-operation to develop computer assisted instruction software. If all goes well, there is a distinct possibility that India will decide to adopt the BBC/Acorn microcomputer for her own computers in schools programme : this is a potentially vast market for our producers.

5 The general issues raised with me by Ministers, officials and business people in India related mainly to the bilateral imbalance of visible trade between India and the UK (£426m in our favour in 1982). I took every available opportunity to make the point that there are bound to be trade imbalances between individual countries, as for example between the UK and Japan; what matters is the overall position. In any case, this visible trade imbalance is somewhat unreal; it is partially accounted for by rough diamonds purchased through London but re-exported elsewhere and offset to some extent by our aid payments to India, and



by remittances to India from those resident in the UK. We have however started to use some of our technical assistance (currently about £100,000 per year) to improve Indian marketing techniques and we are looking at ways of developing this.

6 In discussing this issue I also stressed that protectionism was not the answer to this sort of trade imbalance. I was convinced that Mrs Gandhi agreed, and would like in principle to stop over-protecting Indian industry: however, she feels herself very severely constrained by political considerations, particularly in an election year. The same argument was well received by Mr V P Singh (which is not surprising), and by Mr Salve, Minister for Steel and Mines (perhaps more encouraging). Since Count Lambsdorff had been in India only shortly before me, I was able to make much of the identity of our views on protectionism and those expressed by the FRG : I also made the point that the Indians might usefully take note of the attitude of Germany and France in the EC when sugar quotas or tobacco tax were raised, where despite the promises of support they delivered when seeking business in India, they were less than forthcoming and did not, as a rule, line up behind the UK in championing India's cause.



7 The Indians were particularly anxious to press for more joint ventures between British and Indian companies in third countries. I expressed support for this, but at the same time made it clear that such joint ventures best develop from direct contacts between commercial organizations and would only succeed on the basis of confidence. That confidence would probably best be established by Indo-British co-operation in India before efforts were made to tackle business in third countries. In this connection, it was interesting to learn from Mr V P Singh that the arrangements governing the sale of goods produced in India's new Free Trade Zones had recently been liberalized to permit some of the output to be sold in India. These zones are an attempt to circumvent the very heavy bureaucratic and regulatory burdens placed on overseas investors in India. I expressed the view that Britain's success in attracting inward investors owed a good deal to the liberal regime which we operate.

8 Overall, I was impressed by the opportunities which exist in India, and by the exceptionally friendly reception given to me. There was some appreciation - which I tried to encourage - of the fact that British Ministers have been, and are continuing to be, regular visitors; Alick Buchanan-Smith's visit next month to try to sell energy industry



equipment should, I think, be favourably received against the background of our recent attention. The Indian market is - despite both economic and political difficulties - an important and promising one. Nonetheless, we must keep our eye on the competition : I have already mentioned Count Lambsdorff's recent visit, and I understand that M. Fabius was in India just before Christmas.

9 I was particularly impressed by the knowledge and sure footed diplomacy of Robert Wade-Gery and his staff, who have excellent personal relationships with both Ministers and senior Civil Servants and an acute perception of commercial opportunities.

10 I am sending copies of this minute to Geoffrey Howe, Nigel Lawson, and Peter Walker.

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18 January 1984



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10 DOWNING STREET

*From the Private Secretary*

23 January 1984

*Dear Callum,*

The Prime Minister has read with interest your Secretary of State's minute of 18 January on his recent visit to India.

*Yours ever*

*John Major*

Callum McCarthy, Esq.,  
Department of Trade and Industry.

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