



OVERSEAS DEVELOPMENT ADMINISTRATION
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From the Minister

23 February 1984

The Rt Hon Norman Tebbit MP
Secretary of State for Trade and Industry
1 Victoria Street
LONDON SW1H 0ET

Prime Minister.

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Dear Norman

You will recall that when we discussed at EX the question of aid finance for the purchase of 21 Westland helicopters for the Indian Oil and Natural Gas Corporation, it was agreed that £50 million would be provided and that the Indians should be asked to confirm their assurances that the helicopters would be under civil registration. The £50 million figure was based on prices put forward by Westland to the Indians and included allowances for necessary spares and for price escalation.

We now have telegrams from Delhi reporting that the Indians will not be able to dispense with military registration for the helicopters; also that the price which Westlands are now providing to our officials as the "bottom line" for negotiation with the Indians is £63.78 million for Westland, plus a Rolls Royce support package of £9.5 million.

On the question of military registration, there is no need to repeat the arguments already put forward and considered by EX, and I propose to reaffirm to the Indians, through our High Commission, that this is a condition of aid.

On the question of price, we cannot be taken for a ride in this way, nor can British suppliers assume that if aid of a certain amount is promised, that amount can be increased at their convenience. Again, I propose to inform Delhi that the amount of aid on offer remains as agreed, ie £50 million.

Unless you have any objection, I should like to get a telegram off this week. The longer we leave these misunderstandings uncorrected, the more difficult it is going to be.

I am copying this letter to the Prime Minister, Geoffrey Howe, Peter Rees and Janet Young.

Has Westland increased the price? If so why? They must not want to lose the valuable business. reduce it. wa

TIMOTHY RAISON

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10 DOWNING STREET

From the Private Secretary

27 February, 1984

INDIA: WESTLAND HELICOPTERS

The Prime Minister saw over the weekend Mr. Raison's letter of 23 February to the Secretary of State for Trade and Industry.

Mrs. Thatcher has asked whether the increase in the price for the 21 Westland helicopters from £50 million to £63.78 million is due to an initiative by Westland. If it is they who have increased the price, the Prime Minister is of the view that they ought to reduce it since we do not wish to lose this valuable business.

I am copying this letter to Peter Ricketts (Foreign and Commonwealth Office), Callum McCarthy (Department of Trade and Industry) and to John Gieve (Chief Secretary's Office).

E.J. COLES

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Secretary of State for Trade and Industry

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27 February 1984

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WESTLAND HELICOPTERS FOR INDIA

Thank you for your letter of 23 February in which you propose informing the Indian authorities that the amount of aid on offer remains at £50m and that non-military registration is a condition of our granting aid. On Friday, my Private Secretary explained to yours that I was not here to consider your proposal and that I would reply today.

So far as the registration of the helicopters is concerned, the issue was discussed at the UK/Indian aid talks in Delhi last week. The Indian Government have agreed with your officials that they would provide us with an explanatory note on the problems of registration on the basis of which we would consider whether the present conditions on non-military registration could be relaxed. The British High Commission are following this up with the Indian authorities now. I think that we must consider what the Indians propose before coming to any final position.

On the amount of aid required, the Indians have argued that our offer does not cover the full amount of the package because they have pressed Westlands for a much larger spares element; the helicopter prices have not moved up. Clearly, I would not wish to argue that we should simply meet the full cost, whatever it may be. But much more importantly, the Indians have explained to our officials that the French package overall produces a lower foreign exchange cost than the Westlands bid with our present aid package. Our immediate priority must therefore be to determine what the French government aid offer is and what Westlands would be able to do to help bridge any gap. My

/officials



officials are pursuing both these points urgently. ECGD, the British Embassy in Paris, and the British High Commission in New Delhi are attempting to clarify the French aid offer. We were reasonably forthcoming to them on our position, and we shall see whether they return the compliment. Discussions with Westlands are also under way.

The Indians have not, I believe, sought a swift response from us on either the amount of aid or non-military registration. For all these reasons, I do not believe that we can come to a sensible decision on all this until the issues have been clarified.

I think that our officials should get together and that we should consider what exactly needs to be done on the basis of better information.

NORMAN TEBBIT

27 FEB 1964

U.S. AIR FORCE
OFFICE OF THE
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WASHINGTON, D.C.