

CEPC



Foreign and Commonwealth Office

London SW1A 2AH

17 January 1985

Dear Charles,

Letter from Lord Aldington: Westland Helicopters

You asked for an updated draft of the reply, which I enclosed with my letter of 14 January, to Lord Aldington's letter of 4 January about the difficulties which Westlands have been facing in negotiating contracts with the Indians.

Since I wrote, Sir John Treacher, Vice-Chairman of Westlands, has returned from Delhi. Sir John has told us that his interlocutors in the Defence and Economic Ministries were also worried about the delays in negotiations; he said that while everybody assumed that these delays had been ordered by Rajiv Gandhi, no one knew this for sure.

This coincided with the views of a normally well-informed Indian contact that the present Indian actions have been orchestrated by the Ministry of External Affairs, to the consternation of other departments. While he said that, in the emotional aftermath of Mrs Gandhi's assassination, the MEA had managed to secure the approval of the Prime Minister's Department, this was of course no proof that Mr Gandhi was himself aware of such action.

Since then you will have seen Sir R Wade-Gery's telegram reporting his latest call on Mr Gandhi's Private Secretary (Delhi telno 66 of 16 January). The High Commissioner was told that there had been a misunderstanding. Rajiv Gandhi's Private Secretary said that he was speaking with the highest possible authority, and had made clear to all concerned on the Indian side the true position. Negotiations could go forward in whatever way the negotiators wished. This is encouraging although we may not be out of the woods yet. We shall now have to see how Westlands fare. But their prospects look better than when Lord Aldington wrote.

I enclose an updated draft reply to Lord Aldington.

Yours ever,
Len Appleyard

(L V Appleyard)
Private Secretary

C D Powell Esq
10 Downing Street

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM:
Prime Minister

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

The Rt Hon Lord Aldington KCMG CBE DSO TD
4 Carlton Gardens
Pall Mall
LONDON SW1Y 5AB

ELIZABETH

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

Thank you for your letter of 4 January about the difficulties that Westlands are currently facing in India. I well understand the importance to you of an early signature of your contracts under negotiation.

CAVEAT.....

We also received reports from other British companies that they were also facing delays in important negotiations with the Indian Government. We are monitoring the situation very closely. However, we had no evidence that the Prime Minister of India had himself decided to put a general stop on negotiations with British firms. *We* ~~and~~ had always anticipated ^{*some*} ~~a measure of~~ delay in resuming normal business in the aftermath of the Indian election and the subsequent Ministerial changes. When our High Commissioner, Sir Robert Wade-Gery, called on Rajiv Gandhi's Private Secretary, Alexander, on 8 January he was told that, so far as he was aware, delays in negotiations were not related to Sikh extremists in this country nor meant as political pressure. He undertook to make enquiries about defence contracts and let us know the position shortly.

Enclosures—flag(s).....

/The

India: UK/Indian Relations Pt 4.

The High Commissioner saw Alexander again on 16 January. He was told that there had been a misunderstanding. Alexander said he was speaking 'with the highest possible authority' and then had made clear to all concerned on the Indian side what the true position was: negotiations on the contracts could resume in whatever way the negotiators wishes.

You may be sure that we shall continue to watch the situation very carefully. But I hope the latest information means that some of the difficulties you foresaw for your own negotiations have now been removed.

CB

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Foreign and Commonwealth Office

London SW1A 2AH

14 January, 1985

The attached draft is
overridden by events. Spoken to
FCO who will let us know
whether we know. ODP 14/1

Dear Charles,

I enclose a draft reply from the Prime Minister to Lord Aldington's letter of 4 January in which he asked for her intervention with the Indian Prime Minister over what the Company believe to be a decision by the Indian Government to stop all contractual negotiations with British companies.

Westlands is not the only company experiencing such difficulties. Others, including British Aerospace and GEC, have also reported their concern that the Indian Government are discriminating against British firms in retaliation for Sikh extremist activity in the UK. On the basis of events since Lord Aldington wrote, our assessment is that the situation across the board may not be as black as described by Lord Aldington. We have no firm evidence of a decision to "stop all contractual negotiations with British firms". When Sir R Wade-Gery called on Rajiv Gandhi's Private Secretary, Alexander, on 8 January he was told that, so far as Alexander was aware, delays in negotiations were not related to Sikh extremists in this country nor meant as political pressure. Alexander undertook to confirm the position on defence contracts generally by the end of this week.

Since then we have heard from Sir John Treacher, Vice-Chairman of Westlands, that he had just received an invitation from the Indians to return to Delhi for discussions with P K Kaul, the Indian Finance Secretary (PUS). Sir John Treacher is in Delhi now and we expect to hear shortly what the state of play actually is on the helicopter contract. We have also had reports that some other major contracts, in which the UK is not in the lead, are also being subjected to delay.

Although the situation is still far from certain it may well be that the delays which are being experienced are related to the recent Indian election and the consequential Ministerial changes. The Indians have not asked for a postponement of Sir James Blyth's (Head of Defence Sales) visit later this month; this will be an opportunity to test their intentions more firmly.

CONFIDENTIAL



However, the fact remains that a number of British companies with major business at stake are very concerned about the situation in India, and it is likely that others, besides Westlands, will be urging us to intervene with the Indians at the highest level. We are of course following developments very closely; if the situation deteriorates markedly and our fears of an Indian boycott look like being realised, we shall certainly wish to consider the option of an intervention by the Prime Minister with Mr Gandhi. But, as things stand at the moment, the time has not come to deploy that option.

Yours ever,

Len Appleyard

(L V Appleyard)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL

DSR 11 (Revised)

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Lord Aldington PC KCMG CBE
DSO TD
4 Carlton Gardens
Pall Mall
London SW1Y 5AB

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

CAVEAT.....

Thank you for your letter of 4 January about the difficulties that Westlands are currently facing in India. I well understand the importance to you of an early signature of your contracts under negotiation.

We have had reports from other British companies that they are also facing delays in important negotiations with the Indian Government. We are monitoring the situation very closely. However, I must tell you that we have no evidence of a decision by the Prime Minister of India to put a ^{general} stop on negotiations with British firms. We had always anticipated a measure of delay in resuming normal business in the aftermath of the Indian election and the subsequent ministerial changes. When our High Commissioner, Sir Robert Wade-Gery, called on Rajiv Gandhi's Private Secretary on 8 January he was told that, so far as he was aware, delays in negotiations were not related to Sikh extremists in this country nor meant as political pressure. When Sir Robert asked specifically about defence contracts the Private Secretary undertook to speak to the Defence Secretary and let us know the position shortly.

Enclosures—flag(s).....

Since then Sir John Treacher has told us of the invitation from the Indian Finance Secretary to have discussions with him in Delhi and I understand that these are currently taking place. I very much hope that those discussions will demonstrate that the Indians are not imposing a boycott on dealings with British industry.

The situation is still uncertain but it is not, perhaps, quite as bleak as it appeared a week or so ago. There are some indications of a possible early return to normality, including Indian agreement to a visit by the Head of Defence Sales, Sir James Blyth, planned for later this month.

I have noted your suggestion that I intervene personally with Mr Rajiv Gandhi. I should certainly be prepared to consider any course of action that seemed appropriate if it became apparent that British companies were being discriminated against generally.





10 DOWNING STREET

~~CR~~

I found
this in the flat.
Did anyone
draft ever up?

CR

At least — no, we

are now working on
another.

CR

GRICK

keep it
lesser —
wherever you
prefer.



10 DOWNING STREET

THE PRIME MINISTER

January 1985

Thank you for your letter of 4 January about the difficulties that Westlands are currently facing in India. I well understand the importance to you of an early signature of your contracts under negotiation.

We also received reports from other British companies that they were also facing delays in important negotiations with the Indian Government. We are monitoring the situation very closely. However, we had no evidence that the Prime Minister of India had himself decided to put a general stop on negotiations with British firms. We had always anticipated some delay in resuming normal business in the aftermath of the Indian election and the subsequent Ministerial changes. When our High Commissioner, Sir Robert Wade-Gery, called on Rajiv Gandhi's Private Secretary, Alexander, on 8 January he was told that, so far as he was aware, delays in negotiations were not related to Sikh extremists in this country nor meant as political pressure. He undertook to make enquiries about defence contracts and let us know the position shortly.

The High Commissioner saw Alexander again on 16 January. He was told that there had been a misunderstanding. Alexander said he was speaking 'with the highest possible authority' and had made clear to all concerned on the Indian side what the true position was: negotiations on the contracts could resume in whatever way the negotiators wished.

You may be sure that we shall continue to watch the situation very carefully. But I hope the latest information means that some of the difficulties you foresaw for your own negotiations have now been removed.

The Rt. Hon. Lord Aldington, KCMG, CBE, DSO, TD, DL.

RULE D 92 AAR
@ 500



10 DOWNING STREET

From the Private Secretary

7 January 1985

INDIA: WESTLAND

I sent you on 4 January a copy of a letter to the Prime Minister from Lord Aldington about Westland's contracts with India, with a request for a draft reply.

The Prime Minister has seen Lord Aldington's letter over the weekend and has commented that India is going too far if this contract is not to be signed. She also notes that Mr. Gandhi made a conciliatory speech about the Sikhs at the end of last week.

I am copying this letter to Callum McCarthy (Department of Trade and Industry).

Charles Powell

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

A handwritten signature or mark in the bottom right corner of the page.

WESTLAND plc

Ack'd on 4/1

2

From Lord Aldington

4, CARLTON GARDENS,
PALL MALL,
LONDON, SW1Y 5AB.

TEL: 01-839 4061

India is part of this contract is not to be signed. The P.M. needs to consult with his cabinet about this contract.

Star

Prime Minister

of India

January, 1985

Prime Minister

You will wish to see. Draft reply is in hand.

CDP 4/1

India

You have intervened personally for Westland's benefit in two large contracts with India: firstly, the Indian Sea King contract, and secondly the contract for 21 Westland 30 helicopters for the Oil and Natural Gas Commission of India. It may appear ungrateful of me, but I must now ask for your further help in view of the decision taken by the Prime Minister of India to stop all contractual negotiations with British firms. I understand this is due to the Indian resentment at statements made by a leading Sikh in Britain concerning the assassination of Mrs. Gandhi - a resentment which in many ways I share.

Our position is that we were about to sign the Westland 30 contract with the O.N.G.C. on the date of Mrs. Gandhi's assassination, and though there was understandable delay immediately after that tragedy, we believed until only about a week before Christmas that the contract would be signed in 1984. We had passed all the flying tests in India with the first production aircraft of the type ordered and we had received the required certificates from the C.A.A. We had, therefore, satisfied the two conditions attached to the letter from the Indian High Commission, sent to us on the 2nd July 1984 in which it was stated that the Westland 30 had been selected.

We have also been in negotiation with the Indian Ministry of Defence for the spares order associated with the Indian Sea King contract and for 3 additional helicopters. We had received a letter of intent and had been invited to return on the 5th January to conclude the contract.

The financial consequences to Westland of a delay in receipt of these orders - or even worse, of the denial of them - are I am sure quite clear to you. In the case of the Westland 30 contract, the helicopters are in an advanced stage of production and indeed delivery of the first three was due to take place before the end of March 1985 and continue at about 3 every two months.