



Foreign and Commonwealth Office

London SW1A 2AH

1 February, 1985

Prime Minister
 Agree proposed
 instructions to
 Robert Wade-Gery?
 Dear Charles, CDP 1/2

Indo-British Relations: Westlands Helicopters Contract

[attached]

You will have seen from New Delhi telegram numbers 156 and 158 of 1 February that there is now considerable doubt about the validity of the assurances given by Dr Alexander on 16 January that the postponement of Ministerial visits and of commercial negotiations with British firms was not connected with Indian government concern about Sikh extremists in the UK.

At that time Dr Alexander denied that any sort of political directive had issued; he had checked with the Prime Minister and could assure us that negotiations could proceed in whatever way the negotiators themselves wished. That encouraging news was, however, quickly followed by the espionage affair in Delhi as a result of which Alexander resigned his post. No successor has yet been appointed and it seems likely that elements in the Ministry of External Affairs (MEA) hostile to us have seized the opportunity to maintain their pressure over what they regard as our tolerance, or even support of, Chauhan and other Sikh extremists.

From his discussion with the Indian Defence Secretary, Bhatnagar, today Sir Robert Wade-Gery was left in no doubt that the current uncertain situation could have serious consequences for Westlands' negotiations on the supply of helicopters to the Indian Oil and Natural Gas Corporation. In addition to problems for the company itself, failure to conclude the contract quickly so that the initial payment of £16m can be made from the aid programme before the end of the financial year would create a very difficult problem in terms of aid disbursements. Bhatnagar has explained that the issue is for decision at the "political" rather than the "official" level, with the clear implication that the final say rests with Mr Gandhi.

Sir R Wade-Gery has asked for instructions before seeing the Defence Minister, Mr Rao, on 4 February. He suggests that in talking to Rao he should convey to him, and through him to Mr Gandhi himself, a personal message from the Prime Minister to the effect that she is confident that the Indians will stand by the assurances conveyed by Dr Alexander. We endorse that recommendation. The original decision to provide aid



for the helicopter contract was made by the Prime Minister herself and was the subject of correspondence last year between her and Mrs Gandhi. In the absence of Dr Alexander Mr Rao constitutes perhaps the only other reliable channel of communication to Mr Gandhi. Since Mr Gandhi will be out of Delhi campaigning for the forthcoming state elections continuously from 6 February until the beginning of March, the High Commissioner's call on Mr Rao on 4 February offers the only opportunity of getting our message through quickly. Subject to the outcome of the High Commissioner's discussion with Mr Rao we can consider whether a direct message from the Prime Minister to Mr Gandhi would be helpful.

A telegram of instructions to Sir R Wade-Gery is enclosed. Provided the Prime Minister is content, it can be despatched over the weekend by our Resident Clerk. Since Sir Robert Wade-Gery also has an appointment with one of Mr Gandhi's Private Secretaries on 4 February for the purpose of conveying the Prime Minister's invitation to Mr Gandhi to visit the UK later this year, we see advantage in his talking to him about the Westlands contract on the same lines as he will have employed at his meeting with Mr Rao.

I shall be showing Sir Geoffrey Howe a copy of this letter in his box tonight. I am also copying to Callum McCarthy (DTI), Richard Mottram (MOD) Mike McCulloch (ODA) and Richard Hatfield (Cabinet Office).

Y ever,
Peter Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

OUT TELEGRAM

		Classification and Caveats	Precedence/Deskby
	↓	CONFIDENTIAL	IMMEDIATE

ZCZC
GRS
CLASS
CAVEATS
DESKBY
FM FCO
PRE/ADD
TEL NO

1	ZCZC
2	GRS
3	CONFIDENTIAL
4	
5	DESKBY 040330Z
6	FM FCO
7	FEBRUARY 85
8	TO IMMEDIATE NEW DELHI
9	TELEGRAM NUMBER
10	YOUR TELNOS L56 AND L58: INDO BRITISH RELATIONS
11	1. When you see Narasimha Rao on 4 February please speak
12	on the following lines. The Prime Minister was greatly
13	reassured to be told of the assurances which Alexander
14	gave on Rajiv Gandhi's behalf on 16 January that British
15	Ministers would be welcome in India and that there were no
16	political inhibitions on commercial negotiations preceding
17	normally.
18	2. The Prime Minister is following personally the exchanges
19	about the supply of Westlands helicopters to ONGC. She
20	personally approved the funding of the contract from the UK aid
21	programme and corresponded with Mrs Gandhi about the agreement.
22	The two governments have always envisaged that the contract
23	should be agreed in time for the first payment to be made
24	from our aid programme within this financial year. If this
25	is not possible it will inescapably reduce the level of UK
	aid disbursements to India in 1984/85: the Prime Minister is

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File number	Dept Private Office	Distribution
Drafted by (Block capitals) PETER RICKETTS		Ltd SAD SCU MVD PUSD PD News D INFO D PS PS/Lady Young PS/Mr Renton PS/PUS
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Comcen reference	Time of despatch	

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2 particularly reluctant to see this happen because of the

3 assurances that she herself gave to Mrs Gandhi in 1982

4 that she would use her best endeavours to maintain the

5 level of our aid programme to India.

6 3. She believes that Mr Gandhi's visit will provide a

7 most useful occasion to discuss the whole range of relations

8 between Britain and India which could not fail to benefit

9 from personal contact at this level.

10 4. When you see Rajiv Gandhi's Private Secretary, Gharekhan,

11 you should speak similarly. If you think it would help, you

12 could leave with him a speaking note on the above lines (which

13 might also spell out Alexander's assurances in full).

14 5. When you see Narasimha Rao you might express surprise

15 that the MEA seem to be unaware of Alexander's assurances

16 to you and of the close contacts which have taken place about

17 the Sikh problem on other (and more appropriate) channels.

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FEB 1985

