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No 10 D. Pt.

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DESKBY 180900Z

FROM NEW DELHI 180810Z MAR 85

TO IMMEDIATE DESKBY FCO

TELNO 363 OF 18 MARCH 1985

INFO IMMEDIATE DTI, ODA AND MODUK (FOR RMD3/DSO AND PS/HDS).

IMMEDIATE

ADVANCE COPY

YOUR TELNO 304: WESTLANDS

MS

1. ARUN NEHRU, RAJIV GANDHI'S COUSIN AND CONFIDANT WHO IS NOW MINISTER OF STATE FOR POWER, ASKED ME TO CALL IMMEDIATELY AFTER MY RETURN TO DELHI ON 16 MARCH. HE ASKED TO SEE ME ALONE AND DID NOT WANT TO TALK ABOUT HIS OWN DEPARTMENTAL AFFAIRS. GANDHI, HE SAID, HAD ASKED HIM TO CONVEY THROUGH ME AN URGENT MESSAGE TO MRS THATCHER ABOUT WESTLANDS, AS A FOLLOW-UP TO THEIR CONVERSATION IN MOSCOW (WHICH HE ACCURATELY DESCRIBED, WITHOUT ANY PROMPTING FROM ME).

2. NEHRU (STILL UNPROMPTED) SAID THAT GANDHI WELL REALISED THAT THE WESTLANDS ISSUE CONSTITUTED A POTENTIALLY DIFFICULT POLITICAL PROBLEM FOR THE BRITISH GOVERNMENT. THE COMPANY HAD BEEN ENCOURAGED IN GOOD FAITH TO PRESS AHEAD WITH PREPARATIONS FOR THE CONTRACT AND WAS NOW IN AN EXPOSED POSITION IN THE ABSENCE OF SIGNATURE. GANDHI AND HE HAD THEREFORE WANTED TO HELP US, SINCE WELL BEFORE THE MOSCOW MEETING AND EVEN MORE IN THE LIGHT OF IT. THEY HAD MADE THREE SEPARATE EFFORTS IN THE PAST SIX WEEKS TO PERSUADE 'OUR TECHNICAL EXPERTS' TO AGREE THAT THE CONTRACT SHOULD BE FINALISED. BUT THE EXPERTS REMAINED OBSTINATELY WEDDED TO THE FRENCH ALTERNATIVE: THEIR REASONS APPARENTLY RELATED TO TECHNICAL PERFORMANCE RATHER THAN TO COSTS. IT WOULD OF COURSE BE FEASIBLE FOR GANDHI TO OVER-RULE HIS EXPERTS ON THIS. BUT IT WOULD NOT BE WISE. HE WOULD PAY A POLITICAL PRICE FOR DOING SO, SINCE HIS ACTION WOULD BE HELD TO REFLECT HIS INEXPERIENCE AND WOULD BE REMEMBERED AGAINST HIM AS SOON AS HIS PRESENT POLITICAL HONEYMOON WAS OVER. THAT WAS JUST THE SORT OF TACTICAL MISTAKE WHICH HIS ENEMIES WERE WAITING FOR HIM, AS A NEW BOY IN GOVERNMENT, TO MAKE.

3. THE MESSAGE FOR MRS THATCHER WAS THEREFORE AS FOLLOWS. GANDHI WANTED TO HELP HER OVER WESTLANDS, WHICH HE KNEW WAS POLITICALLY IMPORTANT TO HER. BUT IT WAS ALSO POLITICALLY VERY DIFFICULT FOR HIM. HE DID NOT, AT LEAST AT PRESENT, SEE HOW HE COULD GET US THIS PARTICULAR CONTRACT. BUT HE WAS VERY KEEN TO EXPAND BUSINESS WITH BRITAIN AND HE WOULD BE GLAD TO CHANNEL SOME OTHER CONTRACT TOWARDS US, BUT WAY OF COMPENSATION. THESE MIGHT BE WORTH PERHAPS £150 MILLION OR MORE, IN EG THE FIELDS OF POWER (WHICH WAS GOING TO BE A BIG SPENDER HERE), STEEL (HE DURGAPUR) OR COAL. DID HE HAVE ANY SPECIFIC SUGGESTIONS?

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4. He said he would of course transmit this message. But he found it difficult to understand why the technical experts should be having these doubts now. The technical performance of the W30 and its rivals had been thoroughly investigated before the Govt took their decision last July and enshrined it in their letter to Westlands promising to buy the W30 subject to two conditions which had since been met. If there were now renewed doubts these could only reflect either a misunderstanding of the technical facts, or some form of dirty work at the crossroads by Westlands' rivals. He hoped therefore that the British side would be given a chance to refute whatever allegations might now be being made. Did he know what these were?

5. Nehru said that he was not briefed on the details, only on the general message. But he agreed that they should be looked into carefully in the light of what he had said. He also agreed, when he pressed him, that we should continue to make provision for the Westlands contract in our AHD programme for 1985/6 and later. He noted that the idea of using AHD funds in this context had originated with the Indians and been strongly urged by them. He also seemed struck by how little Indian money would (as he emphasised) be involved in going ahead with Westlands: perhaps only £20 million in all, including the VHP contract as well as the ONGC one, given that up to £65 million of British grant AHD would be available for the latter.

6. In the light of our talk so far, he said he hoped that there would not in practice turn out to be any question of depriving us of the Westlands contract, and that there would therefore be no need to consider compensation (as such) in other directions. But there were of course a number of other contracts in which we were interested and, he thought, highly competitive. The 155 M gun was the most important of these. Nehru replied that the Govt were stuck on that for the moment, since their experts could not agree on what they wanted: but he noted the details he gave him.

7. He went on to say that on Durgapur it was very unclear to us when and on what scale the Govt would wish to embark on modernisation, or how large an import element would be involved. Nehru acknowledged this but urged us to put forward other ideas.

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8. THE ATOMSPHERE OF OUR TALK WAS EXTREMELY FRIENDLY THROUGHOUT,
AND WE AGREED TO REMAIN IN TOUCH.

9. PLEASE SEE MIFT.

WADE-GERY

LIMITED

SAD

MAED

TRED

PS/LADY YOUNG

PS/MR RENTON

PS/PUS

SIR W HARDING

MR BRAITWAITE

MR WILSON

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