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DEPARTMENT OF TRANSPORT
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The Rt Hon Sir Geoffrey Howe QC MP
Secretary of State for Foreign
and Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
LONDON SW1

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may take to
note

30 April 1985

Dear Geoffrey

You may be interested in some of the impressions I received during my recent visit to India on foreign affairs, trade and aid matters. Specific matters for action are being followed up at official level. I attach a list of the meetings I had; but the impressions were formed as much in conversation, at receptions, dinners and luncheons as at the formal meetings. They are my own: I have not discussed them with the Post.

Let me dispose of one item of particular shipping business about which I wrote to you before my departure: the carriage of aid cargoes to India. I had a meeting with Ansari, the shipping Minister, early in the visit. My officials' telegrams back from New Delhi (003 & 004 of 12 April) reported on that: Ansari said clearly that he had no desire, or policy, to restrict the proportion of aid cargoes carried in UK ships.

But he claimed that the reasons for the present almost total exclusion of UK lines lay in the fact that little of the cargo went in containers and the one UK line able to ship the cargo was not interested in the trade and prevented by the conference's own rules from participating in most of it. Much of these claims turned out to be exaggerated or irrelevant. We are left with a promise of a change for the better in the Indian position, obtained perfectly amicably,

which we must monitor carefully against what actually happens when ships are chartered.

You were kind enough to arrange for careful briefing on the Sikh question. That was very helpful, but I was not asked directly by any member of the Indian Government what the UK was doing or what it proposed to do. Those with whom I raised the matter were happy that it had been raised and delighted to be reassured that the UK found terrorism completely abhorrent and was doing all it could within the framework of its own laws to prevent the activities of troublemakers. I found that Indians were impressed when I told them privately that we would have prevented the rally in Hyde Park which was due to take place on April 3rd.

One of the purposes of my visit was to press the claims of British tenderers for a variety of contracts in fields including railways, ports, and aerospace. The effectiveness of such pressure is never easy to gauge, even after the contracts are awarded. But it seemed that every contract was decided at a very high level, by senior Ministers or even the Prime Minister. These were for technical investments by nationalised industries - a few aircraft, a contract for a new port, an electronic signalling system - that would not involve the Government to a remotely similar degree in this or many other countries. That means decisions by those who are not in a position to make a sensible technical choice, and that opens the door wide to corruption.

I was disappointed to see that it was automatically assumed we would participate in Dutch auctions of aid, irrespective of decisions already taken about the use of the UK's very large aid programme to India. I was invariably asked what extra easy terms the UK Government could provide to sweeten a commercial bid by a UK firm. If a competitor company's bid was allegedly enhanced by aid terms from its

Government, we were asked to go one better. There comes a point where such a game is no longer worth the candle.

We must be on our guard to make sure that point is recognised and not proceeded beyond, even at the risk of disappointing the firm whose bid we are enhancing. Or if this is the way the game is to be played, we must make sure our aid is increasingly available to bolster specific deals rather than for general philanthropy.

I was also concerned about the extent to which we were following the Indian line on 'indigenisation' - their insistence that the imported content of, for example, a new product being assembled in India should start low and reduce to nothing over a short period of years. The point of this is obvious - to get developed country technology into their hands as cheaply and quickly as possible. They were very pleased with the way that UK companies were prepared to go along with this; indeed I was asked by BL to emphasise in a speech at the launch of a joint-venture car, that the UK content would reduce quickly to a tiny percentage. Japanese car manufacturers entering into similar joint ventures promised to achieve high Indian sourcing, but in fact carried on with a high percentage of Japanese imports. Once again, I think we need to be alive to the fact that this sort of attitude may make us popular but beyond a certain point is not good business. We live, in many areas of trading, on our technological advantages and we need to extract some price in money and UK employment as a quid pro quo. I took the opportunity wherever possible, and particularly when speaking to the Bombay Chamber of Commerce, to remind generally sympathetic audiences that a more equitable deal would be to the advantage of both sides.

There is, however, no doubt that there is a great deal of good business to be done by the UK in India. In the transport field there is an almost invariable assumption

that UK firms etc. will be interested in a project and will have something to offer. Nowhere is this feeling stronger than in railways where we can exploit links that go back a very long way. In the private sector there are many entrepreneurial individuals with a great deal of money, who can do useful business with British firms if they can be pointed in the right direction. I recall particularly a small-scale car manufacturer in Bangalore who had gone to Reliant as leaders in the field of small fibre glass bodied cars because he could set up a car plant based round moulded fibre glass bodies without excessive capital outlay and while staying within the pool of labour skills available to him.

Enterprises like this are small and unglamorous; but there was no aid involved, no transfer of front-line technology, and a lot of satisfied parties ready to deal with the UK again.

The Indians have a rule, which I also criticised, of requiring 60% of Indian equity in new investment, unless the enterprise is engaged in high technology or exports to third countries. We could seek to have this relaxed, in my opinion, for selective UK businesses which find it objectionable.

Conclusion

By using Japanese standards of morality on "Indigenization", and by getting round the 40% rule, there is a large opportunity for good business for us in "collaborations" with the Indians. But we must sell our technology for what it is worth, by keeping an export content, or otherwise. I think there is also a case for using our aid more directly still to assist our business interests.

I am sending a copy of this letter to the Prime Minister,
Norman Tebbit, Paul Channon, and Timothy Raison, and to Sir
Robert Wade-Gery in New Delhi.

Timothy
Nicholas

NICHOLAS RIDLEY

SECRETARY OF STATE FOR TRANSPORT'S VISIT TO INDIA

9-20 APRIL 1985

PRINCIPAL MEETINGS

Chairman, Indian Railways
Minister of State for Railways
Minister of Railways
Minister of Civil Aviation and Shipping
Minister of Shipping and Transport
Indian Railways Research Design and Standards Organisation
Chairman, Rail India Technical and Engineering Services
Chairman, Delhi Transport Corporation
Standard Motor Products
Chief Minister, State of Tamil Nadu
Madras Port Trust
Indian Railways Integral Coach Factory
Sipani Automobiles
Indian Railways Wheel and Axle Plant
Chief Minister, State of Karnataka
National Aeronautical Laboratory
Hindustan Aeronautics
Indian Railways Western Railway
Bombay Port Trust
Nhava Sheva Port Trust
Managing Director, Air India
Chairman, Shipping Corporation of India