



Prime Minister

The proposal is:

(i) to dock the aid programme to India by £25 million this year (if the Westlands order finally collapses).

(ii) not necessarily to reinstate it

near year; (iii) to make clear that this is the inevitable result of the Indians' own actions;

(iv) to use the money for unspecified new bids, including Indonesia.

India: Westland Helicopters

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Agree this, it seeks a more specific commitment from the Foreign Secretary on how to use the £25 million: e.g. for ATP?

PM/85/47

PRIME MINISTER

CDD
13/5

1. As we agreed when we discussed the problem last week, Rajiv Gandhi's comments to the Indian Parliament, even as "clarified" in the official version, leave little room for doubt that he has made up his mind against the Westland Helicopters. Robert Wade-Gery is of course still doing all he can to hold the Indians to their undertaking to buy the helicopters. He will continue to do so. But we now need to consider on a contingency basis the implications for the India aid programme if the contract falls through.

2. The present position is as follows. We have allocated £45m for the helicopters out of a total aid programme for India of £115m in the current year, and £20m from the £115m allocated for 1986/87. Without the Westlands contract it would be impracticable anyway to spend the full £115m in India this year. New capital projects cannot be brought forward so quickly. We should therefore make it clear to the Indians that any reduction in the aid programme is an inescapable consequence of their own decision on the Westlands contract and not a decision by us to penalise them. In that way we should be able to achieve our objective of a reduction in the India programme without an unnecessary row with the Indians.

3. Our wider interests in India make it imperative to avoid such a row: our exports to India are running at an annual total of £600m. Defence sales this year have already amounted to £75m (as against £55m in the whole of 1984), and there are



further valuable defence contracts which we hope to secure. There is also of course the continuing Indian sensitivity over Sikh extremists here.

4. What reduction should we make in the India programme? I propose that we should aim to reduce it by £25m this year. £90m is probably all that it would be possible to spend in the current year in any case without the Westland contract. For future years, we should make no decision now, but review the position in the light of other pressures on the aid programme as well as the position in India. There is no presumption in my mind that it should necessarily return to the earlier level: but we must recognise that the Indians will put what pressure they can on us to reinstate it from next year.

5. There is also the question of what we should do with the £25m in this year. I propose that it should be used to meet other pressing demands on the aid programme. As you know new bids are arising all the time, most recently for Indonesia. I would certainly not support any suggestion that the funds should be removed from the aid programme, either to help Westlands or for any other purpose. They form part of the total aid programme, published and voted by Parliament. As we have seen, suggestions for reductions in the aid programme are extremely sensitive politically particularly at a time when public attention is focused on the crisis in Africa.

6. I am sending a copy of this minute to our colleagues on OD, and to Sir Robert Armstrong.

GEOFFREY HOWE

Foreign and Commonwealth Office

13 May 1985

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Relatz

13 MAY 1985

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