

GRS 450

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FM NEW DELHI 010620Z APR 85

TO IMMEDIATE FCO

TELEGRAM NUMBER 433 OF 1 APRIL

INFO IMMEDIATE ODA, DTI AND MOD (FOR RMD 3)

MY TEL NO 426: WESTLANDS

1. TREACHER CAME TO SEE ME AGAIN ON 30 MARCH BEFORE HIS RETURN TO LONDON. HIS LATEST INFORMATION SUGGESTS THAT THE TECHNICAL ADVICE ON WHICH RAJIV GANDHI IS RELYING COMES FROM A REPORT BY A COMMITTEE SET UP TO LOOK INTO THE ESTABLISHMENT OF AN INDIAN HELICOPTER CORPORATION TO OPERATE ALL NON-MILITARY MACHINES. THE PRINCIPAL MEMBERS ARE THE CHAIRMAN-MANAGING DIRECTOR AND SENIOR OFFICIALS OF INDIAN AIRLINES. ACCORDING TO TREACHER'S INFORMATION, THE REPORT (WHICH WILL LEAD TO THE EARLY SETTING UP OF A CORPORATION) EXPRESSES A PREFERENCE FOR THE DAUPHIN OVER THE WG30 ON THE SAME GROUNDS AS GANDHI MENTIONED TO THE PM IN MOSCOW AND BHATNAGAR TO ME ON 23 MARCH (MY TEL NO 401).

2. THE IMPORTANCE OF THIS REPORT IN GANDHI'S EYES IS THAT IT IS A POST - R K DHAWAN RECOMMENDATION AND COMES ESSENTIALLY FROM OFFICIALS OF INDIAN AIRLINES, WHOM HE TRUSTS. I THINK THE POSITION WE HAVE REACHED IS IN LINE WITH THE CONCLUSIONS IN PARA 4 OF MY TEL NO 408. L K JHA TELLS ME THAT HE LAST WEEK FOUND GANDHI MUCH TROUBLED OVER THE EFFECT WHICH THE HELICOPTER ISSUE COULD HAVE ON HIS RELATIONS WITH MRS THATCHER BUT AT THE SAME TIME CLEAR THAT THE IAF'S 1984 CONCLUSIONS ON THE RIVAL CANDIDATES WERE NOT RELIABLE.

3. FOR HIS PART TREACHER BELIEVES THAT

- (A) NO DECISION WILL BE TAKEN BEFORE THE TWO PRIME MINISTERS MEET:
- (B) IF WE REMAIN FIRM WE STAND A GOOD CHANCE OF SUCCESS BUT:
- (C) WE SHOULD NOT SUGGEST THAT OUR AID WOULD BE JUST AS AVAILABLE FOR SOME OTHER PURPOSE:
- (D) THE PM MAY ALSO NEED TO BE ABLE TO MAKE SOME GESTURE OF FLEXIBILITY IN ORDER TO HELP GANDHI TO HELP HER.

4. I SHARE THIS ANALYSIS. BOTH SIDES ARE IN A DIFFICULT POSITION. THE PRIME MINISTER'S LETTER GIVES THE NECESSARY FIRMNESS: THE AREA OF FLEXIBILITY MAY BE IN HELICOPTER USAGE, AS SUGGESTED BY BHATNAGAR (PARA 7 OF MY TEL NO 401). I SHOULD BE GRATEFUL IF DEPARTMENTS COULD URGENTLY EXPLORE HOW FAR WE COULD GO ON THIS POINT.

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5. WE DO NOT YET HAVE TO FACE UP TO THE QUESTION OF WHAT HAPPENS TO THE EARMARKED AID IF THE DECISION DOES IN FACT GO AGAINST WESTLANDS. WE HAVE GIVEN THE INDIANS NO REASON TO SUPPOSE THERE COULD BE AUTOMATIC SWITCHING (PARA 9 OF MY TEL NO 401) AND SHOULD STAND ON THAT UNTIL THE POSITION IS CLEARER. CUTTING BACK DELIBERATELY ON THE AID PROGRAMME TOTAL IF WE LOSE THE CONTRACT WOULD OF COURSE BE SEEN AS (AND BE MEANT TO BE) A PUNITIVE MEASURE. THERE WOULD BE ARGUMENTS BOTH FOR THIS (WE SHOULD NOT WANT TO SEEM COMPLAISANT) AND AGAINST IT (OUR WIDER INTERESTS, WHICH UNDERLINE THE PRESENT AID TOTAL). MUCH WOULD DEPEND ON HOW GANDHI HIMSELF HANDLED THE ISSUE, AND ON THE IMPORTANCE OF AVOIDING A SERIOUS PERSONAL QUARREL WITH HIM.

WADE-GERY

LIMITED

SAD

MAED

ODA

PS

PS/LADY YOUNG

PS/MR RENTON

PS/PUS

SIR W HARDING

MR BRAITHWAITE

MR WILSON

ADD DIST
SUB CONTINENT

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