PREM 19/198

PART 21 SECRET

Confidential Filing

P.M.'s visit to India 15-19 April 1981: Policy Follow-Up Action (Trade, etc).

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Pt 1: Jan 81

Pt 2: April 81

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Frelia

10 DOWNING STREET

From the Private Secretary

16 February 1982

Indian Textiles

Thank you for your letter of 15 February. The Prime Minister has taken note of the situation you describe.

I am copying this letter to the Private Secretaries to the Lord Privy Seal, Mr. Kenneth Baker (Department of Industry) and the Economic Secretary (HM Treasury).

A. J. COLES

Jonathan Rees, Esq., Department of Trade

(s)



10 DOWNING STREET

Prime Minister

you will will to see the tought as the Custom propose to take action tomorrows.

Tilach Franklin rang me to say that he had permally looked into the poblem and concluded that the Customs would lave to you whead.

It is unfortunate, 5 weeks before
The foundlish visit. We shall have
to lope that any one blows over
before them.

Note the contents of this letter?

Tes m, A.J.C. 15.



From the Secretary of State

John Coles Esq Private Secretary 10 Downing Street London, SW1

15th February 1982

Dear John

INDIAN TEXTILES

You may be aware that problems arose last year during the Prime Minister's visit to Delhi in connection with the seizure by Customs of a number of consignments of Indian garments fraudulently declared as being "folkloric" and thus entitled to quota-free entry.

This problem was eventually dealt with. However Customs now have what they consider to be incontrovertible proof of a further attempt by the Indians to evade quota restrictions on a deliberate and systematic basis. On this occasion the charge is that the Indian government is certifying large quantities of garments as being "handloom" items, ie products made entirely by hand from the cloth through to final finishing, when they are in fact mill produced garments. Unlike mill-made garments, "handloom" products (like "folklorics") enjoy free entry.

The most serious abuse appears to be in the category of womens' woven suits. The Indian quota for this category has grown from 123,000 garments in 1979 to 128,000 garments in 1981. The quota is fully used and over the same period imports of ostensibly "handloom" woven suits have increased from 247,000 to 792,000. In a recent sample of eight consignments arriving at Heathrow, Customs found every one to be of mill-made garments fraudulently certified as being "handloom".

Customs believe they now have the technical capability to distinguish quickly between the two sorts of garment and will start an exercise at Heathrow tomorrow to examine all consignments of handloom womens' woven suits arriving from India. It seems probable that this will result in the seizure of virtually every consignment and we expect a quick and probably hostile reaction from the Indian authorities.

My Secretary of State is conscious of the fact that Mrs Gandhi is visiting London next month and it is regrettable that textiles should again threaten to be a bone of contention between our two countries. Nevertheless, if it proves (as Customs confidently expect) that the



From the Secretary of State

Indian authorities are systematically giving false certifications in order to circumvent the quota restrictions agreed under their bilateral MFA agreement with the Community, action must clearly be taken to prevent its continuance. Otherwise the Government would be put in an impossible situation vis-a-vis the textile lobby (who are already fiercely critical of the new MFA protocol negotiated in Geneva last December). Furthermore, the aim of preventing textile fraud which led to the appointment of an additional twelve specialist officers in the Investigation Division of Customs in 1980 would be negated.

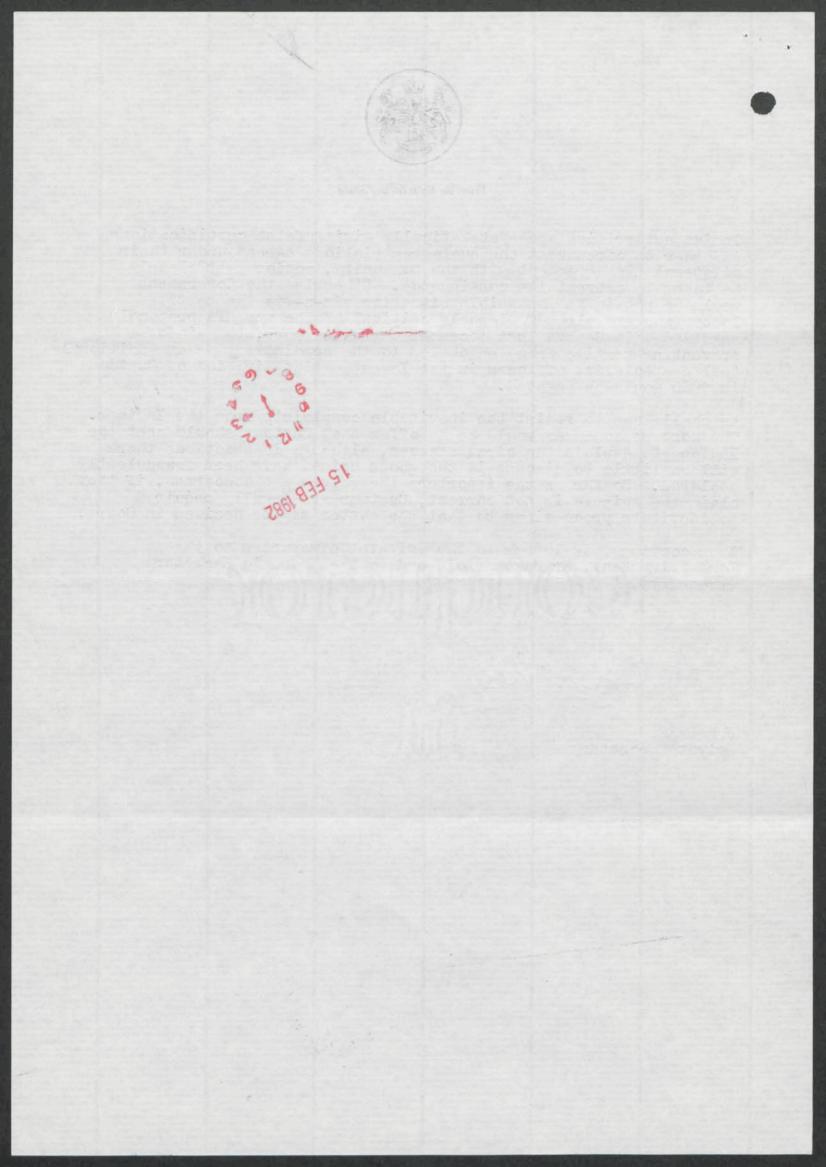
We shall have to resist the inevitable complaints from the Indians. The most we could do would be to offer that Customs should meet the Indians to explain the circumstances, although in practices there will be little to discuss if the goods seized have been fraudulently declared. So far as the importers themselves are concerned, if they claim the seizure is not correct, Customs are legally required to institute proceedings so that the matter may be decided in Court.

I am copying this letter to the Private Secretaries to the Lord Privy Seal, Mr Baker (DoI) and to the Economic Secretary (Treasury).

Yours Sincerely, Jonathan Rees

J N REES

Private Secretary



COVERING CONFIDENTIAL

35

Indian

17 June 1981

PRIME MINISTER'S VISIT TO INDIA

We spoke on the telephone this morning about the records of the Prime Minister's discussions in India. None of the numerous records produced contains material of direct concern to the Ministry of Defence but you may be interested to see the enclosed copy of the general discussion between the two Heads of Government in plenary session on 15 April.

MODBA

Cs

J.D.S. Dawson, Esq., Ministry of Defence.

11 June, 1981

Thank you for your letter of 11 June to the Prime Minister and for its enclosure.

M. O'D. B. ALEXANDER

The Honourable Edward J Streator (US Embassy)

Ph



EMBASSY OF THE UNITED STATES OF AMERICA

London

June 1, 1981

Dear Prime Minister:

I have been asked to deliver the enclosed message to you from President Reagan, which was received at the Embassy during the weekend.

Sincerely,

Edward J. Greator

Charge d'Affaires ad interim

Enclosure: CONFIDENTIAL

The Rt. Hon. Margaret Thatcher, M. P.,
Prime Minister,
10 Downing Street,
London, SW 1.

CONFIDENTIAL Primie Mister mie / Musico.

May 29, 1981

Dear Madame Prime Minister:

Thank you so much for your letter of April 27 describing your recent visit to India and the Arabian Gulf. I was especially interested in your comments and impressions in view of the recent trip which Al Haig took to the Middle East.

I thought your comments about Mrs. Gandhi to be most illuminating, and I agree she is not a Marxist. Although she has instigated a rather lengthy correspondence with me which I find encouraging, I still remain unclear as to what it is she really is prepared to do to strengthen relationships between India and the United States. I, too, have the impression that Mrs. Gandhi has an exaggerated fear of Pakistan. As you know, we are committed to providing more economic and military help to Pakistan, though we are trying to do this in such a way as to minimize India's fears and Pakistan's concern with its image in the non-aligned and in the Islamic world. We share your assessment that a test of nuclear explosives by both India and Pakistan in the near future would create very serious problems for all of us and further complicate the existing instability in southwest Asia and the Middle East.

Concerning Saudi Arabia and the Gulf, your views generally coincide with those of my administration. We realize that the Palestinian question will need more attention in the coming months. It is our hope that following the Israeli elections we can make progress on this issue. We are committed to giving the Camp David process a good effort, but as I have told you before, we hope to be able to expand the negotiations to include the more moderate Arab states, hopefully Jordan and Saudi Arabia. In this regard, I will be receiving visits from President Sadat, the Israeli Prime Minister, Crown

Prince Fahd and King Hussein in late summer and early fall. At that point, we will work out in detail specific steps in the peace process and in promoting greater cooperation in defending our interests in the area against Soviet penetration. On both of these matters, we are most anxious to continue to work closely with your government and with the European community in establishing common policies towards all Middle East questions.

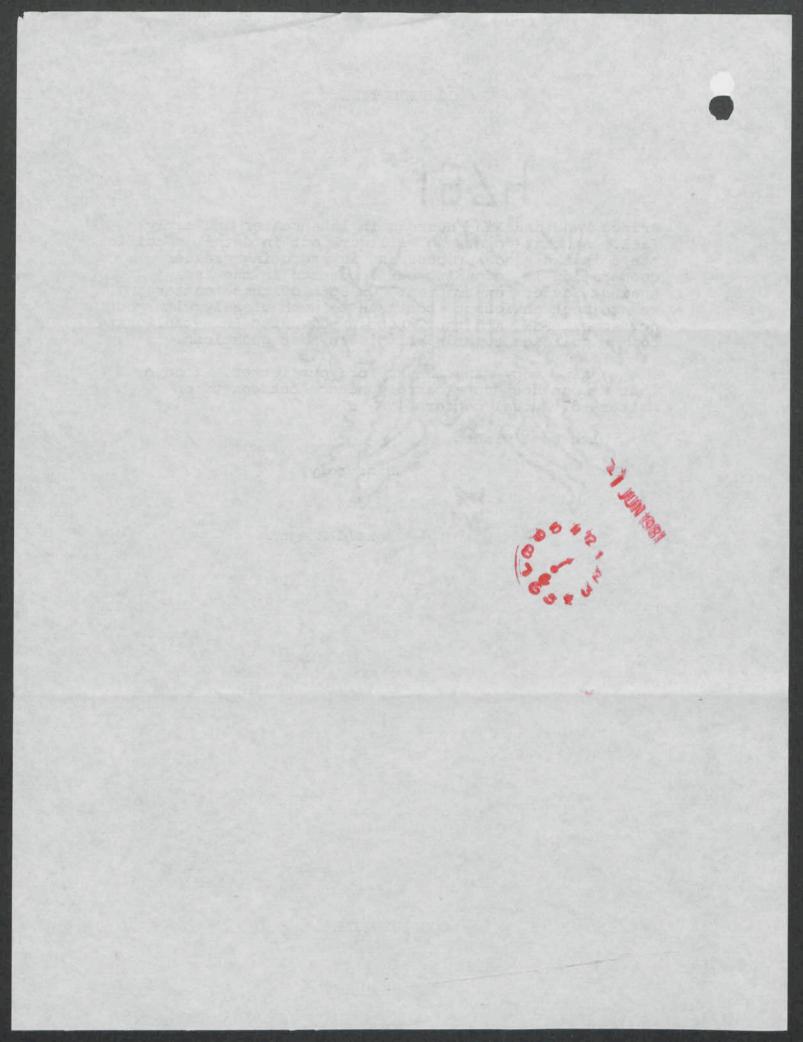
Again, very many thanks for your letter. I hope that we can keep up a correspondence between us on matters of mutual concern.

With best wishes,

Sincerely,

/s/

Ronald Reagan



1 June 1981 I enclose a copy of a message which the Prime Minister has received from President Reagan in reply to her letter to him of 27 April about her visit to India, Saudi Arabia and the Gulf States. M. O'D. B. ALEXANDER Brian Fall, Esq., Foreign and Commonwealth Office.

1 June 1981 I am replying on the Prime Minister's behalf to your letter to her of 1 June. The message which you enclosed from . President Reagan has been placed before the Prime Minister. M. O'D. B. ALEXANDER THE Honourable Edward J. Streator.



EMBASSY OF THE UNITED STATES OF AMERICA London

June 11, 1981

Dear Prime Minister:

I have been asked to deliver the enclosed message to you from President Reagan, which was received at the Embassy this morning.

Sincerely,

Edward D. Streator

Charge d'Affaires ad interim

Enclosure: CONFIDENTIAL

The Rt. Hon. Margaret Thatcher, M.P.,
Prime Minister,
10 Downing Street,
London, SW1.

THE WHITE HOUSE

WASHINGTON

May 27, 1981

Dear Madame Prime Minister:

Thank you so much for your letter of April 27 describing your recent visit to India and the Arabian Gulf. I was especially interested in your comments and impressions in view of the recent trip which Al Haig took to the Middle East.

I thought your comments about Mrs. Gandhi to be most illuminating, and I agree she is not a Marxist. Although she has instigated a rather lengthy correspondence with me which I find encouraging, I still remain unclear as to what it is she really is prepared to do to strengthen relationships between India and the United States. I, too, have the impression that Mrs. Gandhi has an exaggerated fear of Pakistan. As you know, we are committed to providing more economic and military help to Pakistan, though we are trying to do this in such a way as to minimize India's fears and Pakistan's concern with its image in the non-aligned and in the Islamic world. share your assessment that a test of nuclear explosives by both India and Pakistan in the near future would create very serious problems for all of us and further complicate the existing instability in Southwest Asia and the Middle East.

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With best wishes,

Sincerely,

Romer Bayon

The Right Honorable
Margaret Thatcher, M.P.
Prime Minister
London

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8 May, 1981

Indian Trade Problems

The Prime Minister has seen and taken note of the Secretary of State for Trade's minute to her of 6 May on this subject.

I am sending a copy of this letter to Roderic Lyne (FCO).

M. O'D. B. ALLXANDER

J Rhodes, Esq Department of Trade R

CONFIDENTIAL

Foreign and Commonwealth Office London SW1A 2AH 7 May 1981 La Pank Dear Michael, UK/India Trade Problems allected Your letter of 28 April to John Rhodes asked for a report on this question to be prepared in conjunction with the FCO and to reach you on 6 May. FCO Ministers have just seen the final version of the report annexed to the letter of 6 May from the Secretary of State for Trade to the Prime Minister. 'diary' attached to the report refers in somewhat abbreviated form to action taken by the FCO. Since the degree of abbreviation may give rise to a somewhat misleading impression you may like to have a rather

fuller account of this aspect.

I therefore enclose a note which reproduces verbatim part of a letter sent to the Department of Trade on 1 May.

Flag A JU Trade to PM 6/5/8

On a point of detail in John Rhodes' letter of 6 May to Tim Lankester, the High Commission's copy of Mr Biffen's letter to Mr Mukherjee of 27 February had not, in fact, been mislaid, even temporarily.

I am sending a copy of this letter to John Rhodes.

(R M J Lyne)

Private Secretary

yours ever Rossonic Lyna

M O'D B Alexander Esq 10 Downing St



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From the Secretary of State

La Paul

CONFIDENTIAL

Tim Lankester Esq Private Secretary 10 Downing Street London, SW1

6 May 1981

Dear Tim,

PRIME MINISTER'S VISIT TO INDIA

An epilogue to the report commissioned in Michael Alexander's letter of 28 April, and now with you.

The Prime Minister clearly felt that she had been inadequately briefed on the Indians' trade grievances. Naturally we regret this, but I feel entitled to remind you that the brief was prepared in accordance with Cabinet Office instructions as to length. Fuller briefing could readily have been provided if it had been commissioned. When my Permanent Secretary learned that the Prime Minister was to have a separate meeting with Mr Mukherjee he offered Number 10 a supplementary brief. The offer was not taken up. Sir Kenneth accepts that this is a matter for you to decide and has no complaint about it.

I understand that the Prime Minister also expected the High Commission to be able to produce copies of my Secretary of State's letter of 27 February to Mr Mukherjee and of Customs' letters offering terms of release to the folkloric garment importers. The first may have been temporarily mislaid; nevertheless the letter had been delivered through our High Commission. The latter are letters of the kind which enforcement agencies issue routinely all the time and would never normally be copied to diplomatic missions.

Mr Mukherjee mentioned tobacco in the wider context of concern over India's increasingly adverse trade balance. My Secretary of State, in response to similar expressions of concern from Mr Mukherjee in January, made him the offer which was renewed in the penultimate paragraph of his letter of 27 February to Mr Mukherjee and again by our High Commissioner himself at a meeting with Mr Mukherjee on 16 March. Mr Mukherjee's letter of 18 April is the first response. We are in touch with the Indian High Commission about this.

CONFIDENTIAL



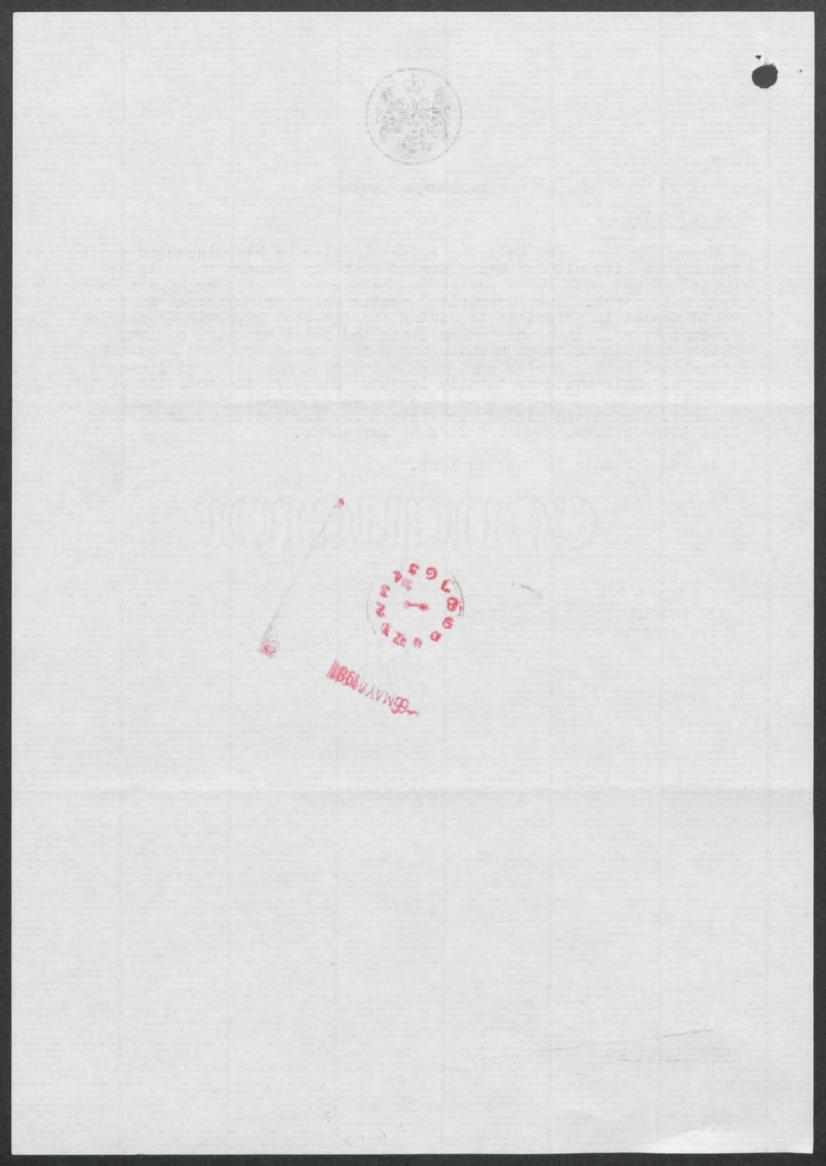
From the Secretary of State

Although Mr Mukherjee told the Prime Minister he had discussed quota transferability with my Secretary of State in January there is no record of any such conversation in the agreed minutes or Stuart Hampson's very full notes. The "Community" quotas which Mr Mukherjee wants would amount in principle to giving the low-cost exporting countries freedom to sell into one Member State the total quantity of (say) shirts the Community as a whole had agreed to accept, and deny the individual Member States any foreknowledge of the level of low-cost imports. This would be totally incompatible with the position on renewal of the Multi-Fibre Arrangement which Ministers agreed on 6 April. There are already provisions for redeploying unused quota facilities between Member States by agreement.

I am copying this to Roderic Lyne.

JOHN RHODES

Private Secretary



Prime Phinster This is the susponce to my CONFIDENTIAL request for a host mostion on the preparations for your visit to PRIME MINISTER India. There are one or two points! might mention to you wally when you have read this. Bout I donor whether it INDIAN TRADE PROBLEMS is my possible to camp the matter any Your Private Secretary's letter of 28 April asked for a report Juliu. "on what was done and whether more could have been done" before your visit to India about the matters raised with you by Mr Pranab Mukherjee, the Indian Minister of Commerce and Steel at your meeting with him on 16 April. Notes on each of these are attached, together with a 'diary' of the steps taken before the visit. On folklorics, I might stress that in view of the involvement of the Commission and the other Member States who have similar problems, the offers made by Customs and in part taken up by importers, and not least the elements of fraud, there was no scope for the "Nelson Touch". To accept the garments as folkloric despite their non-conformity with the definitions in the agreement would be exceeding national competence, and severely risk putting ourselves in an untenable position both domestically with the industry and internationally with the other Member States and the Commission. Proceedings in this way would also have conflicted with the decision taken by Ministers in 'E' Committee on 22 May 1980, which resulted in the appointment of twelve additional specialist officers to Customs Investigation Division specifically to deal with cases of textile import fraud. You will note that there was in some cases a lapse of some months before Customs seizure of "folkloric" imports and offers to importers. Notwithstanding the additional staff allocated to textiles import fraud work, because of other commitments the investigators concerned could not be exclusively assigned to the folkloric cases which were relatively minor in comparison with the many other commercial fraud cases which Customs had in hand. They were not raised as a political issue until my own visit to India in January which was some time after most consignments had been seized. CONFIDENTIAL

CONFIDENTIAL I am responsible for the general conduct of our trade relations with India and for shipping policy. Peter Walker is responsible for decisions governed by the Fertilisers and Feedings Stuffs Regulations (aflatoxin); Willie Whitelaw for those governed by the Misuse of Drugs Act 1971 (opium); and the Commissioners of Customs and Excise for the operation of the Customs and Excise Management Act 1979 (folkloric garments). Their departments have provided or cleared these accounts of their respective actions. Perhaps I could make some general comments:-5 the Indians complain about these subjects (and (i) others they did not raise with you) not because we fail to give them answers but because they either ignore the answers, or hope to obtain more favourable ones by trying again or at a higher level; by the same token, the issues covered in this note (ii) had by your departure been pursued as far as they could have been short of overlooking facts and reversing agreed policies. That a country complains about the effect of a particular policy is not, to my mind, sufficient reason to set it aside; what may look like dilatoriness is in considerable (iii) measure the consequence of trying to be helpful. We have perhaps offered more than we should have done in the way of re-examination, further discussion etc. For example on the folklorics issue Customs could simply have confiscated the goods (which they would have been fully entitled to do). CONFIDENTIAL 2

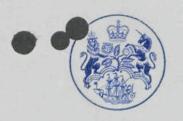
CONFIDENTIAL (iv) my Permanent Secretary visited Delhi between 24 and 27 March to discuss final preparations for the commercial side of the visit with Ministers and senior Indian officials. Sir Kenneth Clucas explained to the most senior available official in the Department of Commerce where we stood on the various Indian "grievances", who expressed himself as satisfied with the action being taken. Mr Mukherjee himself next day made no mention of these points. Mr Mukherjee's subsequent letter of 18 April (of which I am attaching a copy together with my letter to him of 27 February) similarly suggests that most (if not all) the heat has gone out of them. As to future action, my view is that the tone of Mr Mukherjee's letter of 18 April demonstrates that there is no need for high level demarches. On folklorics, the issue that appears to have generated the most heat on the Indian side, Mr Mukherjee's reply should be resolved at working level. I would propose to deal with this and the other outstanding matters in my response to the letter.

to me, drafted after your meeting, indicates that remaining problems

A postscript. The note you were sent on 24 April said that Sally Oppenheim would be making a statement about inflammable dresses. We agreed to do this at the request of the Indian High Commission, though we warned the Indians that any further statement on this subject would be likely to provoke another round of scare stories in the media. At the last minute the Indians recognised the wisdom of this, and their High Commission requested us not to publish a further statement after all. We have complied with their wishes.

WJB

Department of Trade 1 Victoria Street Iondon, SW1H OET (O. May 1981



FOLKLORICS

- The EC/India bilateral textile agreement allows for the exemption from normal quota arrangements of "traditional folklore handicraft textile products of India as defined in a list of such products agreed between the two parties" as well as products made entirely by hand in a cottage industry. In seizing the consignments in question Customs officers had regard to the definitions in the annex to the textile agreement. Whilst it is the legal responsibility of the importer to ensure that his declaration of the description of the goods is correct and it is open to him to consult Customs experts if in doubt Customs have not pursued technical offences by importers except where there was also a clear indication of attempted evasion of quotas.
- 2 Following the seizures of garments claimed to be folkloric, investigations of the importers were mounted by Customs. Because of other commitments, the investigators concerned could not be exclusively assigned to the folkloric cases. Nevertheless these investigations were pushed forward as quickly as possible. The Commissioners made appropriate offers in each case as soon as practicable on receipt of the completed report.
- 3 On 23 January Customs advised the Indians of the terms on which the garments held not to be folkloric could be released to



the importers. Annex A lists the date on which the individual traders were offered release either for admission under quota or for re-export outside the EC. In all but four cases (of which three were candidates for fraud prosecutions) offers of release had been made two weeks before the Prime Minister's departure, and in most cases considerably earlier. Six thousand pieces have so far been released. This does not reflect any want of energy by Customs but rather the traders' rate of response to the offers made. The Government of India could have speeded up releases considerably by providing documentation (and Mr Kaul indicated to the Prime Minister that they were willing to do so) against which import licences could be issued enabling goods to be admitted to the UK under quota. But for the last three months the Government of India has preferred to fight a war of attrition in Brussels - effectively at the traders' expense - trying to get more goods ruled "folkloric" (including a number they initially accepted were not) rather than helping them in this way. Mr Kaul's attempt to blame the UK, rather than the Government of India, for the cash flow problems of Indian firms is, alas, only too typical.

5 Mr Mukherjee's very temperate letter of 18 April, and comments in a similar vein made to the Commission team which has recently been in India negotiating an extension of the textile agreement, indicate that the Indians want to dispose of this issue finally, and at working level. In the circumstances dramatic gestures would be inappropriate and the best way forward would be for the reply to Mr Mukherjee's letter to encourage him down this path.



FOLKLORIC GARMENTS

300 garments consigned to BALASH JEWELLERY were accepted as folkloric and released in January. 490 garments consigned to SUNDERJI were put into a bonded warehouse on arrival; ie the trader himself postponed the need for any decision on their treatment. He has now stated that he will be presenting an import licence.

Confidential offers to compound criminal proceedings were made to the following importers:

These 3 have been given the offer of paying an administrative fine rather than going terrory the courts.	Date of Seizure	Date of Offer	Number of garments
"Third Eye" have accepted, and have now Seen offered admission who quota	or re-cepat. The other 24 October 1980	two have not yet replies. 1 April 1981 7.	Involved
Third Eye Rajan Fashions	13 October 1980	2 April 1981	. 500 1240
Gujral Brothers	20 October 1980	24 April 1981	1520

Offers of release (for admission under quota or re-export outside the EC) were made to the other traders:

	Date of Seizure	Date of Offer	Number of garments Involved
NatashaOverseas	22 October 1980	15 December 1980	
Maliks of London	22 October 1980	14 January 1981	500
Jaipur Fashions	17 October 1980	15 January 1981	1000
A H Burdett	12 December 1980	13 February 1981	1 1350
Groovy Dig	26 November 1980	13 February 1981	2085
Seasonworth	23/24 October 1980	13 February 1981	1055
Zarys Fashions	11 November 1980	13 February 1981	200
Chelsea Girl	11 November 1980 and 11 March 1981	13 February and 1 April 1981	748
Joytex	24 October 1980	13 February 1981	400
G Singh The Warehouse	27 January 1981	19 February 1981	1372
Greygale	11 November 1980	3 March 1981	604



	Date of Seizure	Date of Offer	Number of garments Involved
Durga Arts & Crafts	1/2 October 1980	20 March and 24 April 1981	579
Evelyne Abraham	16 October 1980	2 April 1981	600
Flaming Fashions	15 October 1980	24 April 1981	5915
* Third Eye	24 October 1980	24 April 1981	500

^{(*} on settlement of offer above)



TOBACCO

The Indians' desire for a larger duty-free quota within the EC Generalised System of Preferences is fully in accord with the UK interest. We cannot guarantee satisfaction because we cannot impose our will on our EC partners; and Italy in particular has strenuously opposed the liberalisation of raw tobacco imports under the Generalised System of Preferences. But the Indians have long been assured of our support on this issue, and they are well aware of its limitations. Tobacco is not a matter of controversy between the two Governments, and the terms of the answer given to the Indians when they raised the subject during the Indo-British Economic Committee (IBEC) meeting in January made no further action necessary until the time arrived to start bidding for a larger duty-free GSP tobacco quota. The reply to Mr Mukherjee's letter (which does not mention tobacco) can confirm that we are making fresh representations to the Commission.



SHIPPING

- 1 The answer given to the Indians at IBEC in January made it plain that we would not be intervening and regarded the matter as one for the UK lines and their customers to resolve.
- The Indian lines within the conference have just introduced a container service. The UK line members together with two European lines are actively considering the introduction of one. The Indian Government are aware of this. The UK lines are considering as alternative options the introduction of a "dedicated" service and a transhipment service via Djibouti: they have not revealed the details to the Indian lines and have asked us not to disclose them to the Indian Government at this stage. The UK lines expect to reach a decision during May and to consult the Indian lines within two months.
- In short, the matter is being considered through commercial channels, which accords with our longstanding policy and with what we told the Indians in January.



OPIUM

- The Indians' concerns about opium were first conveyed to the Department of Trade in a note from the High Commission in London received on 18 February. Preliminary consultations were held with the Home Office the following day. Officials of all the Departments concerned met on 5 March and the subject was pursued further in correspondence during the two weeks following. Action had already been taken to encourage the three UK importers to do what they could to support the Indians by expressing readiness to purchase raw opium on suitable terms and to bring the importers and the Indians into discussions. Pressure from the Indians for more drastic measures (to restrict new producers to their home markets) had just been resisted at the 29th session of the UN Commission on Narcotic Drugs and no Department was in favour of acceding to their request. But a formal rejection shortly before the visit seemed certain to provoke a strong reaction. The Indians had taken none of the many opportunities available during the run-up to the visit to press the matter, and a negative but still flexible brief looked the best one for the Prime Minister to carry. The interdepartmental co-ordinating group accordingly decided on 18 March that the opium problem was best not brought to a head before the visit.
- Opium is not mentioned in Mr Mukherjee's letter of 18 April; but the reply would be a suitable vehicle for our response.



AFLATOXIN

- A report of the working party on mycotoxins was published on 18 December. It recommended that the food industry should reduce the levels of these chemicals in their products and placed particular emphasis on the levels of aflatoxin in dairy products. Surveys of the relative levels of aflatoxin monitored in various feeding stuffs showed that they are negligible in products other than groundnuts and cottonseed. However, the levels of this known carcinogen recorded in groundnut and cottonseed were such as to cause serious concern for the health of children when metabolised by cattle into milk.
- As a result a ban on imports of these commodities was announced by the Minister of Agriculture on 9 January to come into effect on 1 February. This matter was raised by the Indians at IBEC in January where their main complaint was that the ban discriminated against them by allowing the import and use in cattle feed of other products susceptible to aflatoxin to continue. In reply to this concern in his letter of 27 February to Mr Mukherjee Mr Biffen pointed out that the working party report obliged the Government to act. He promised to let the Indians have a copy. It was this document that Mr Kaul denied receiving when the Prime Minister met Mr Mukherjee. In fact

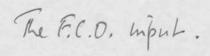


Sir Kenneth Clucas was told in the Ministry of Commerce on 24 March that the report had been received; and when he mentioned that the intention was to replace the specific ban with definitive regulations as soon as our own consideration of the report had been completed the Indian representative expressed satisfaction that matters were proceeding in this way. Mr Mukherjee's letter of 18 April admits that the report has been received and is being studied by the Indian research institutions.

Meanwhile MAFF had begun efforts to find an alternative to the ban before it came into force on 1 February. Ministry of Agriculture officials began discussions with the UK trade, farming and enforcement interests immediately after Christmas. It became clear, however, the effect on trade and on contamination levels of the various options under discussion could not be properly evaluated without getting the feed trade to supply further up to date information. On 19 March Mr Biffen wrote to Mr Walker drawing attention to the approach of the Prime Minister's visit and the concomitant need "very soon to give the Indians at least some solid indication of progress". Mr Walker replied on 30 March explaining that the additional data were not yet available, that there would need to be further meetings in April, and that he was unlikely to be able to announce a solution by the time the Prime Minister went to India.



Officials worked out a possible way of allowing trade to resume while protecting health by supervising the trade in the end use of these commodities, and on 15 April this was put to the interests concerned. They asked for more time to consult their membership on an issue of substantial commercial significance to them. They were pressed to reply as quickly as possible and a further meeting is being arranged urgently to finalise the details. The trade is being urged to meet officials again within ten days and a submission will be made to Ministers immediately thereafter.



- (a) On 10 February the FCO wrote to the DOT about preparations for the visit and enclosed a paper which listed, among matters to be resolved ahead of the visit, folkloric textiles, inflammable cottons and the aflatoxin issue.
- (b) On 18 February the FCO convened the first of a series of weekly inter-departmental meetings to prepare the Prime Minister's visit. At this meeting the contents of a possible letter from the Secretary of State for Trade to the Indian Minister of Commerce about the trade complaints were discussed.
- (c) Further weekly inter-departmental meetings were convened under FCO chairmanship until early April.
- (d) The FCO wrote to the DOT and others on 2 March to draw attention to the need to let Delhi have ''by 16 March at the latest comprehensive instructions on the commercial package which we shall hope to obtain during the Prime Minister's visit and on the approaches Sir John Thomson should make to the Indians to prepare the ground''.
- (e) On 2 March the FCO wrote to the DOT suggesting that we should consider further what could be done about the trade problems and proposing (i) a UK offer to provide aid to develop Indian marketing techniques; (ii) a Parliamentary answer to reassure the Indians about inflammable cottons; (iii) acceptance of an Indian proposal for talks about folkloric items; (iv) examination of Indian arguments about aflatoxin.
- (f) On 13 March the FCO sent to Sir J Thomson interdepartmentally agreed and comprehensive instructions covering/

covering the whole visit. These authorised him <u>inter</u>
<u>alia</u> to put to the Indians (i) the idea of a joint
statement about the willingness of the two governments
to consider the problems facing Indian exporters and to
discuss the use of the aid programme for assistance in
marketing techniques; (ii) our acceptance of their
proposal for joint talks on the folkloric issue.

(g) The FCO wrote to the DOT on 13 March proposing that a senior DOT official should go to India before the Prime Minister's visit.



DIARY

16-23 January

Indo-British Economic Committee (IBEC) meeting in Delhi, attended by Mr Biffen. Indians complain about folkloric garments, shipping, tobacco, and the "aflatoxin" import ban. UK delegation

- i defends UK action on folkloric garments and aflatoxin but Mr Biffen undertakes to look into them on his return
- ii explains that HMG regards the provision of shipping services as a commercial matter for the lines and their customers to resolve without Government intervention
- iii sympathise with Indian discontent about the GSP tobacco quota and pointed out that its enlargement in the UK interest as well as India's.

23 January

Meeting in London about <u>folklorics</u> attended by representatives of UK Departments, the EC Commission and the Indian High Commission. Customs advise that the garments held not to be folkloric (and which are not involved in possible legal proceedings) can be released either for re-export outside the EC or for admission to the UK under quota on presentation of an import licence (issued against Indian export licences). (One consignment had by then been accepted as folkloric and offers of release had been made to three other importers).

2-11 February

29th session (in Vienna) of UN Commission on Narcotic Drugs.

10 February

Sir John Graham (Deputy Under Secretary, FCO) writes to Mr Caines (Deputy Secretary, Department of Trade) proposing arrangements for preparing for the Prime Minister's visit and including folkloric garments and aflatoxin amongst the issues to be resolved beforehand.

18 February

Note about opium received from Indian High Commission.

FCO convene the first of a series of weekly interdepartmental meetings to prepare for the Prime Minister's visit. Possible letter from Mr Biffen to Mr Mukherjee considered.



30 Mary

3 April

19 February First consultation about opium.

Folklorics meeting held by Commission in Brussels; Indians present as well as Member States.

24 February

Indian High Commissioner proposes discussions with Customs about folkloric garments to see if unnecessary delays could be avoided during meeting with Mr Blaker.

27 February Mr Biffen writes to Mr Mukherjee stating the position on folklorics and aflatoxin.

2 March FCO write to DoT putting forward suggestions (which were subsequently considered in the interdepartmental group) to "defuse" the Indian grievances.

5 March Interdepartmental meeting about opium.

The Interdepartmental group agrees that Indian High Commissioner's proposal for discussions about folklorics should be accepted.

13 March Comprehensive and interdepartmentally agreed instructions sent to Sir John Thomson.

Sir John Graham proposes visit of senior DoT. official to Delhi

18 March Indian High Commissioner calls on Mr Biffen.
No grievances raised.

The interdepartmental group decides that the opium problem is best not brought to a head before the visit.

19 March Mr Biffen writes to Mr Walker about aflatoxin.

20 March Customs make offer to Durga Arts and Crafts.

24-27 March Sir Kenneth Clucas visit Delhi. Conveys acceptance of High Commissioner's proposed folklorics discussions. No pressure from the

Indians about these or their other complaints.

h. hallow repries h Mr Bighn along a haloring sugaring no solution.

Trade brief sent to Cabinet Office. romain before party.

Sir John Thomson home for consultations.

7-10 April Sir John Thomson home for consultations.



9 April	Prime Minister requests further consideration of concessions on folklorics.
10 April	Mr Biffen's Private Secretary replies advising against.
14 April	Prime Minister tells Mr Biffen she accepts this advice.
16 April	Prime Minister's meeting with Mr Mukherjee.

DEPARTMENT OF TRADE 1 VICTORIA STREET LONDON SWIH OFT Telephone 01-215 7877

From the Secretary of State

His Excellency Shri Pranab Mukherjee Minister for Commerce, Steel and Mines Government of India New Delhi

27. February 1981

Your Excellency.

() ·

Now that I am back in London I should like to thank you most sincerely for all your efforts to make my trip to Delhi so worthwhile. It was, as you know, my first overseas visit as Secretary of State for Trade and I am very grateful to you both for making it a memorable one for me personally and for ensuring that the Indo-British Economic Committee discussions were conducted in such a cordial and constructive manner. Although my visit was a short one it left me with a firm impression of India's enormous potential and a strong wish to see trade between our two countries continuing to expand.

I promised, when I was in Delhi, to look into some particular trade problems which you raised with me. I fully share your view that our general trading relations can continually be threatened by irritations over individual issues, and it is vital that we can discuss such issues frankly in order to reach appropriate solutions. It is for this reason that I have attached importance since my return to London to following up the various points which we discussed.

First was the detention of consignments of Indian textiles by
HM Customs on the grounds that they did not qualify for quota-free



From the Secretary of State

admission as folkloric. 27 Government of India export authorisations are involved. The goods covered by one of these were released shortly after I sent an urgent message back from Delhi when you emphasised to me the gravity with which the Government of India viewed the matter. In the case of two more the Indian side have agreed that the goods are not folkloric. accept that some of the goods covered by another four export authorisations are folkloric, but have not as yet been able to release them for other reasons - for instance, prominent Union Jack labels, which is objectionable under our Trade Descriptions Act. The rest are not considered folkloric either by HM Customs or the EC Commission. They differ significantly from the descriptions given in the agreement. Consequently they cannot be admitted outside quota. HM Customs are, however, prepared to make the goods available to the importers subject to appropriate safeguards.

In the case of ground nut and cottonseed a published report by experts — I am having a copy sent to Delhi — particularly recommended the Government to reduce the contamination of milk by aflatoxin, and identified the two products in question as the main source of this contamination. The implications of this finding for child health were serious, and obliged us to act upon it urgently although we were aware that in doing so we would, scientifically speaking, be leaving a number of loopholes. These were not intended to discriminate against India, which is far from being the only exporter affected, or in favour of any other country: as I stressed in Delhi, the present prohibition is an interim measure. I am sure you can appreciate that it would be the height of folly, in an area as politically sensitive as child health, for us to give commercial considerations deliberate



From the Secretary of State

priority over safety. Work on more refined definitive controls, which I hope will answer your criticisms, is progressing as rapidly as possible, and I have asked our High Commissioner to keep you informed.

You will recall that, in response to the concern you expressed during IBEC about the trade balance, I suggested that your Government should send a manufacturers' mission to Britain to investigate the scope for collaboration with British companies. I also suggested that, subsequently, our two Governments should consider the problems facing Indian exporters and indicated that my Government was prepared to consider assistance through our technical co-operation programme for the development of marketing techniques. I look forward to hearing your views on these ideas.

I have also had the pleasure, since I returned, of meeting Mr Sethi and Dr Chanana again. I hope they found their visits as useful and enjoyable as I found mine.

> Term sinans Voku Biffen

With all good wishes

JOHN BIFFEN



RECEIVED IN

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SECRETARY OF STATE FOR TRADE'S OFFICE

वाणिज्य मंत्री भारत MINISTER OF COMMERCE INDIA NEW DELHI.

APRIL 18, 1981.

Your Excellency,

Thank you very much for your letter dated 27th February, 1981. I am happy to note that you found your visit to India in January in connection with the Indo-British Economic Committee meetings a very useful one. Indeed I am grateful for the personal interest you have taken in trying to find solutions to some of the problems affecting Indo-British trade. With your continued personal interest, I am sure, satisfactory solutions could be found to these issues.

- As for the folkloric textile items held up by H.M. Customs, I understand that the quantities released so far are rather small. After careful inspection of the consignments our experts are of the view that most of these items still held up are indeed "folkloric" as per the description of "India items" laid down in the agreement. They feel that the interpretation given by H.M. Customs is somewhat narrow and unduly technical. I believe another meeting of the experts is being held at Brussels shortly to discuss this problem. I hope experts from both the countries along with those of the E.C. Commission will be able to resolve this issue satisfactorily.
- 3. With regard to the ban on groundnut and cottonseed extractions, we have received the report published by the British experts. We are examining this matter in consultation with our own research institutions and shall revert to the subject later.
- 4. I have given some thought to your suggestion for sending a high powered manufacturers' mission to Britain to investigate the scope for exports and for collaboration with British Companies. Though such missions are generally helpful in establishing contacts, you will appreciate that Government of India is already sponsoring a number of specialised missions to various countries including U.K. for market surveys and for promotion of exports. In addition, a number of premier organisations

वाणिज्य मंत्री भारत MINISTER OF COMMERCE INDIA NEW DELHI.

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like Federation of Indian Chamber of Commerce and Industries, Associated Chambers of Commerce of India and Association of Indian Engineering Industries send out their members in delegations to various countries for exploring the markets. If we have to send a high-powered trade mission to Britain as suggested by you to improve the volume of trade and correct the imbalances therein, it will need a lot of groundwork in Britain to identify specific sectors wherein exports from India should be promoted and also identify possible lines of production where tie-up arrangements could be explored. Some backing from the Government of U.K. may also be required to introduce the mission to the various Chambers of Commerce and other leading trade organisations, if the mission is to achieve the purpose we have in mind. I would be grateful if you could examine this point and let us know as to how best the preparatory work could be done before a mission is actually sent from India. I am asking our officials from the High Commission to discuss this matter in detail with your Department of Trade.

5. With regard to the British assistance for the development of marketing techniques, a request is being made for additional assistance under the Aid programme. I hope this request would be considered favourably.

Thanking you once again,

Yours sincerely,

(PRANAB MUKHERJEE)

H.E. Rt. Hon'ble Mr. John Biffen, Secretary of State for Trade, Government of the United Kingdom, LONDON SWIH OET. ACCONFIDENTIAL STATES

Dredue

10 DOWNING STREET

From the Private Secretary

1 May 1981

Received And

PRIME MINISTER'S VISIT TO INDIA: FOLLOW UP

As you know, the Prime Minister had a meeting this morning with your Secretary of State and with the Minister of State at the Foreign Office to review the commercial aspects of her visit to India. Much of the discussion was, in the event, taken up with the problem referred to in the second paragraph of my letter to you of 28 April. Sir K. Clucas and Sir J. Graham participated in this morning's meeting and will, I think, have a clear idea of the ground which needs to be covered in the report asked for in my letter. I would merely like to stress now that the report should be available, without fail, by Wednesday 6 May.

I am sending a copy of this letter to Roderic Lyne (Foreign and Commonwealth Office).

M. O'D. B. ALEXANDER

John Rhodes, Esq., Department of Trade.

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10 DOWNING STREET

THE PRIME MINISTER

29 April, 1981

lear Th. Paul,

Thank you for your letter of 23 April. It was very good of you to write.

I greatly enjoyed my visit to India and my talks with Mrs. Gandhi. I much regretted the line taken by the Press. Your letter to The Times seems to me to be just right.

and rewarding. This. Candhi was
manuellous and west. out. of her way
to give me her time and attention. After
Tellie we went to Bombay where the visit.

Was a feed nucleus.

Swraj Paul, Esq.

Your sicusty Nagant Thatta

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Salintan Sept 79.

29 April 1981

Indo/Pakistani Relations

The Prime Minister has seen your letter to me of 25 April. She has approved the course of action outlined in it.

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R.M.J. Lyne, Esq., Foreign and Commonwealth Office.

y Pahritan : lept 79 : VIC Paleritan Nelatrain CONFIDENTIAL Afree the house of action the line to lake set out Foreign and Commonwealth Office London SW1A 2AH 28 April 1981 Pant 28/4 Dear Michael, Indo/Pakistani Relations The Prime Minister has requested advice (Riyadh telno 4 copy enclosed) on how to convey to the President of Pakistan

the outcome of her discussion with Mrs Gandhi about Indo/ Pakistan relations.

Lord Carrington suggests that the Ambassador of Pakistan should be asked to call at the Foreign and Commonwealth Office and should be given an oral account by Sir John Graham of what transpired on the lines set out in the last paragraph of this letter. The Ambassador has in fact already asked to call on Graham for a briefing.

We have considered alternative procedures. This was discussed on the aircraft with the Prime Minister and we confirm the recommendation that she should not send a further letter to President Zia. Mrs Thatcher's letter of 14 April did not promise a further communication on this subject (the question of a possible visit by the Prime Minister to Pakistan can be dealt with later). We believe that another letter could well stimulate a reply from Zia which might be more difficult to deal with. Moreover Mrs Gandhi did not ask the Prime Minister to convey a response to President Zia on her behalf so that anything in writing would have to be carefully worded.

We have also considered whether an occasion might arise in the near future for Lord Carrington to give the Pakistan Foreign Minister an account of the exchanges in Delhi. But the Pakistan Embassy told us that Mr Agha Shahi does not propose to return to Pakistan via London at the conclusion of his current visit to Washington. In the absence on leave of HM Ambassador, Islamabad, the Chargé d'Affaires might find it difficult to secure access at a sufficiently high level to deliver a message; but we would propose to send him an account of Sir John Graham's conversation with the Pakistan Ambassador and authorise him to speak similarly in case of need.

If the Prime Minister agrees, Sir John Graham would tell the Pakistan Ambassador that the Prime Minister passed to Mrs Gandhi the gist of President Zia's message, emphasising his affirmation of Pakistan's desire for friendship and rejection of an arms race with India. In discussion the Prime Minister had also stressed, as she also did in public, Pakistan's right to acquire weapons for self-defence and the

/problems





- 2 -

problems which Pakistan faced with Soviet troops on her borders and some 2 million refugees. Mrs Gandhi had replied (but without asking the Prime Minister to convey her response) that it was hard to see how the supply of arms could help over Afghanistan and that this might make the Russians dig in their heels. Nevertheless, India wanted friendship with Pakistan which was a "necessity". India faced huge problems and could ill afford confrontation or an arms race. In asking the Pakistan Ambassador to convey this account to his Government, Sir John Graham would also refer him to the Prime Minister's letter of 14 April in which she stressed that the strongest possible understanding between Pakistan and India was in the interests of the region as a whole and stated that, as a country which is outside but deeply interested in the area, we would applaud any attempts by the Governments of Pakistan and India to promote such understanding.

yours ever

(R M J Lyne)

(R M J Lyne) Private Secretary

M O'D B Alexander Esq 10 Downing Street

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FM RIYADH 191532Z APR 31

TO IMMEDIATE F C Q

TELEGRAM NUMBER 4 OF 19 APRIL

INFO PRIORITY ISLAMABAD NEW BELFT WASHINGTON BONN (FOR S OF 3).

FOLLOWING FROM BRAHAM, ERIME MINISTERS' PARTY.

INDO-PAKISTANI RELATIONS.

- 1. THE FRIME MINISTER WOULD LIKE THE DEPARTMENT TO CONSIDER FOR TO CONVEY TO PRESIDENT ZIA THE UPSHOT OF HER DISCUSSION WITH ARG SANDHI ABOUT INDO-PAKISTAN RELATIONS. IF AGHA SHAHI WERE TO BE VISITING LONDON ON HIS WAY TO OR FROM MASHINGTON THAT WOULD PROVIDE AN OCCASION FOR AN ORAL BRIEFING. ALTERNATIVELY THE CHARGE D'AFFAIRES IN ISLAMABAD COULD CONVEY AN ORAL ACCOUNT.
- 2. IN SPEAKING TO THE PAKISTANIS, WE COULD SAY THAT THE PRIME MINISTER HAD GIVEN PRESIDENT ZIA'S MESSAGE TO MRS GANDHI, EMPHASISING HIS AFFIRMATION OF PAKISTAN'S GENUINE DESIRE FOR FRIENDSHIP AND REJECTION OF AN ARMS RACE WITH INDIA. IN DISCUSSION THE PRIME MINISTER ALSO STRESSED PAKISTANS' RIGHT TO ACQUIRE WEAPONS FOR SELF-DEFENCE AND THE PROBLEMS WHICH SHE FACED WITH SOVIET TROOPS ON HER BORDERS AND SOME 2 MILLION REFUGEES.
 - 3. MRS GANDHI HAD REPLIED (BUT WITHOUT ASKING THE PRIME MINISTER TO CONVEY HER RESPONSE) THAT SUPPLY OF ARMS TO PAKISTAN WOULD NOT HELP OVER AFGHANISTAN BUT WOULD MAKE THE RUSSIANS DIG IN THEIR HEELS. NEVERTHELESS, INDIA WAS ANXIOUS FOR FRIENDSHIP WITH PAKISTAN, WHICH WAS A QUOTE NECESSITY UNQUOTE. INDIA FACED HUGE PROFLEMS AND COULD ILL AFFORD CONFRONTATION. THE INDIAN FOREIGN MINISTER WAS TO VISIT ISLAMABAD NEXT MONTH.

FCO PLEASE PASS ALL.

CRAIG . LIMITED SAD EESD PS PS/LPS [PASSED AS REQUESTED

PS/MRBLAKER PS/PUS SIR J GRAHAM MR DONA LD

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28 April 1981

with MYSLANA

Thank you for your letter of 22 April enclosing the transcript of the Prime Minister's Press Conference in Delhi on 17 April. I have noted the point you make in paragraph 2!

MICHAEL ALEXANDER

C. A. K. Cullimore, Esq.

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4/ CARDENIL afo 10 DOWNING STREET From the Private Secretary 28 April 1981 Prime Minister's Visit to India: Follow up The Prime Minister has seen your letter of 24 April to Tim Lankester. She is grateful for the information in it. She would however, as I mentioned to Catherine Capon, like to have a short meeting with your Secretary of State about the next steps. We will be in touch about a time. As I have told both you and Roderic Lyne on the telephone, the Prime Minister feels that the issues summarised in your letter might with advantage have been pursued rather further and rather more vigorously before her visit to Delhi than they were. She has asked for a report on what was done and whether more could have been done. I should be grateful if you and Roderic Lyne, to whom I am sending a copy of this letter, could arrange for this to be put in hand and for the results to be

available by Wednesday 6 May.

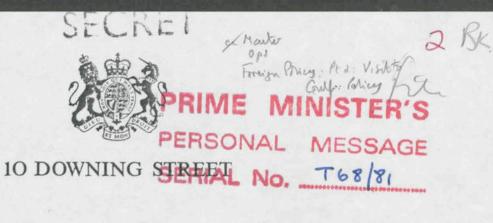
M. O'D. B. ALEXANDER

John Rhodes, Esq., Department of Trade.

CONFIDENTIAL

COVERING SECRET 10 DOWNING STREET From the Private Secretary 27 April 1981 Prime Minister's Visit to India & The Gulf I enclosed the signed copy of a letter from the Prime Minister to President Reagan about her visits to India and the Gulf. The text of the message has been sent to Washington over the direct line.

G.G.H. Walden, Esq., CMG, Foreign and Commonwealth Office.



THE PRIME MINISTER

27 April 1981

Than Th. President.

Thank you very much for your message delivered to me in Delhi. I have just returned from my tour which included Saudi Arabia, the UAE, Oman and Qatar as well as India. You might be interested to have my main impressions to set beside Al Haig's, which I was very glad to have in London before I set out.

My main purpose in visiting India was to try to consolidate relations with Mrs. Gandhi personally. I believe that I succeeded in fair measure. But there is a good way to go if relations between India and the West are to be put on a really sound footing. Mrs. Gandhi is, as you must know, suspicious of our policies and, in particular, of the policies of successive US Governments. She claims to have had virtually no personal relations with your recent predecessors. You might be surprised, however, by the extent of her suspicion of Russian activities in India. She maintains these have often been directed against her, notably in the election of 1977. She is definitely not a Marxist. Indeed she is greatly concerned about the activities of the Communists in India and is casting around for ways to defeat them. Her agricultural policy, and her support for the mixed economy generally, carries the same message.

India's agriculture, incidentally, seems to me to be one of the success stories of recent years. The country has achieved

/ virtual self-sufficiency

virtual self-sufficiency in grain. This is the result of the introduction of the new varieties of wheat in the development of which your experts have played such a part.

On the other hand, perhaps as a counter to the threat she perceives from China, or possibly because she feels that the Soviet Union, as the super power nearest to India, has to be appeased, Mrs. Gandhi remains strongly opposed to any action to support the Afghanistan resistance. She argues that the best hope of achieving Soviet withdrawal from Afghanistan, which she genuinely wants, is through negotiations. I made it clear that I thought she was too sanguine.

Entangled with this is Mrs. Gandhi's extraordinarily deeprooted fear of Pakistan. I defended in public and in private
Pakistan's right to weapons for self-defence, and passed on a
message from Zia about his wish for friendship with India.
Mrs. Gandhi said that she too wished for friendship: Rao, the
Foreign Minister, would be visiting Islamabad next month. But
it was quite clear, and she said it in public, that arms supplies
to Pakistan are regarded in India as objectionable. If Pakistan
does indeed carry out a nuclear test, the consequences will be
very serious. President Zia has, of course, assured Peter
Carrington that he will not test.

My visits to Saudi Arabia and the Gulf were the first there by a British Prime Minister in office, and also a first for me personally. The four States I went to differed much in character and style. But all made me very welcome, and their hospitality and kindness were encouraging. Oman, as you know, is more receptive to our ideas that the rest. The Sultan sees the Soviet threat as his top priority, with the Arab/Israel problem of secondary importance. On the latter he takes a very different, much more reasonable, line on the way forward.

/ For the Saudis

SECILLI

- 3 -

For the Saudis and the others, Palestine and the recognition of Palestinian rights come first, or at least that is what they said. I believe that in fact they do want a settlement because the continuation of the problem inhibits their cooperation with the West. They are deeply worried about their own Palestinian populations. But they are not yet ready to use their influence with the PLO to persuade them to adopt the more moderate stance which might in turn make possible the kind of talks envisaged in the second stage of the peace process. We shall have to keep working on this, in consultation with your people, the Israelis, and the Egyptians. The position of Syria will be critical. We must somehow try to reduce their sense of isolation. The Soviet Union will, no doubt, be working against us.

Nobody I talked to saw any hope of an early settlement of the Iraq/Iran war. There was much concern about the situation in Iran itself. Similarly, all were pessimistic about Afghanistan. They see little prospect of the UN emissary achieving anything. They are concerned lest his efforts should weaken the resolve of Pakistan whose difficulties, however, they recognise.

The position in North Yemen is confused. Consolidated, it could prove the best barrier to the extension of Soviet influence northwards from the PDRY. But the Saudis, whose influence there is strong, are curiously complacent and indecisive. A number of the other leaders were anxious about the situation. I believe we should give more thought to this problem together.

I was rather impressed by the Sultan of Oman. He has achieved a lot in 10 years and plans more. I told him that we would continue to help him with manpower, at his request. He and his country are important to us. But we must not overburden him.

In the Emirates and Qatar the problems, if any, are those of very rapid development, including populations whose size is growing fast and whose composition is changing. But they seem

/ on the whole

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on the whole to have coped remarkably well with the more intangible and intractable social problems. The new Cooperation organisation between them, Saudi Arabia, Kuwait, Bahrain and Oman will take time to evolve, but should give greater strength and cohesion. I encouraged them to press ahead and offered our support.

Our bilateral relations with all these states are in good order. I was glad to be told in Abu Dhabi that they would be ordering some of our trainer/strike aircraft. Our ability to make a contribution to the defence of the area in an emergency, even on the modest scale we have in mind, depends crucially on our being able to sell our defence equipment. This order was a great encouragement: we shall be following it up energetically throughout the area.

Warm personal regards and a rapid recovery to full health and shing it. The world needs you have well and and again halther

The President of the United States of America



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CAB/WHITE HOUSE ØØ1/27 0 2717ØØZ APR 81 FM THE PRIME MINISTER, CABINET OFFICE. TO THE PRESIDENT, WHITE HOUSE. BT SECRET MISC Ø58 DEAR MR PRESIDENT

THANK YOU VERY MUCH FOR YOUR MESSAGE DELIVERED TO ME IN DELHI. I HAVE JUST RETURNED FROM MY TOUR WHICH INCLUDED SAUDI ARABIA, THE UAE, OMAN AND QATAR AS WELL AS INDIA. YOU MIGHT BE INTERESTED TO HAVE MY MAIN IMPRESSIONS TO SET BESIDE AL HAIG'S, WHICH I WAS VERY GLAD TO HAVE IN LONDON

BEFORE I SET OUT.

MY MAIN PURPOSE IN VISITING INDIA WAS TO TRY TO CONSOLIDATE RELATIONS WITH MRS GANDHI PERSONALLY. I BELIEVE THAT I
SUCCEEDED IN FAIR MEASURE. BUT THERE IS A GOOD WAY TO GO IF
RELATIONS BETWEEN INDIA AND THE WEST ARE TO BE PUT ON A REALLY
SOUND FOOTING. MRS GANDHI IS, AS YOU MUST KNOW, SUSPICIOUS
OF OUR POLICIES AND, IN PARTICULAR, OF THE POLICIES OF
SUCCESSIVE US GOVERNMENTS. SHE CLAIMS TO HAVE HAD VIRTUALLY
NO PERSONAL RELATIONS WITH YOUR RECENT PREDECESSORS. YOU MIGHT BE SUPRISED, HOWEVER, BY THE EXTENT OF HER SUSPICION OF RUSSIAN ACTIVITIES IN INDIA. SHE MAINTAINS THESE HAVE OFTEN BEEN DIRECTED AGAINST HER, NOTABLY IN THE ELECTION OF 1977. SHE
IS DEFINITELY NOT A MARXIST. INDEED SHE IS GREATLY CONCERNED
ABOUT THE ACTIVITIES OF THE COMMUNISTS IN INDIA AND IS CASTING
AROUND FOR WAYS TO DEFEAT THEM. HER AGRICULTURAL POLICY, AND HER SUPPORT FOR THE MIXED ECONOMY GENERALLY, CARRIES THE SAME MESSAGE.

INDIA'S AGRICULTURE, INCIDENTALLY, SEEMS TO ME TO BE ONE OF THE SUCCESS STORIES OF RECENT YEARS. THE COUNTRY HAS ACHIEVED VIRTUAL SELF-SUFFICIENCY IN GRAIN. THIS IS THE RESULT OF THE INTRODUCTION OF THE NEW VARIETIES OF WHEAT IN THE DEVELOPMENT

OF WHICH YOUR EXPERTS HAVE PLAYED SUCH A PART.

ON THE OTHER HAND, PERHAPS AS A COUNTER TO THE THREAT SHE PERCEIVES FROM CHINA, OR POSSIBLY BECAUSE SHE FEELS THAT THE SOVIET UNION, AS THE SUPER POWER NEAREST TO INDIA, HAS TO BE APPEASED, MRS GANDHI REMAINS STRONGLY OPPOSED TO ANY ACTION TO SUPPORT THE AFGHANISTAN RESISTANCE. SHE ARGUES THAT THE BEST HOPE OF ACHIEVING SOVIET WITHDRAWAL FROM AFGHANISTAN, WHICH SH WHICH SHE GENUINELY WANTS, IS THROUGH NEGOTIATIONS. I MADE IT CLEAR THAT I THOUGHT SHE WAS TOO SANGUINE.

ENTANGLED WITH THIS IS MRS GANDHI'S EXTRAORDINARILY DEEP-ROOTED FEAR OF PAKISTAN. I DEFENDED IN PUBLIC AND IN PRIVATE PAKISTAN'S RIGHT TO WEAPONS FOR SELF-DEFENCE, AND PASSED ON MESSAGE FROM ZIA ABOUT HIS WISH FOR FRIENDSHIP WITH INDIA. AND PASSED ON A MRS GANDHI SAID THAT SHE TOO WISHED FOR FRIENDSHIP: RAO, WOULD BE VISITING ISLAMABAD NEXT MONTH. BUT FOREIGN MINISTER, IT WAS QUITE CLEAR, AND SHE SAID IT IN PUBLIC, THAT ARMS SUPPLIES TO PAKISTAN ARE REGARDED IN INDIA AS OBJECTIONABLE. IF PAKISTAN DOES INDEED CARRY OUT A NUCLEAR TEST, THE CONSEQUENCES WILL BE VERY SERIOUS. PRESIDENT ZIA HAS, OF COURSE, ASSURED PETER CARRINGTON THAT HE WILL NOT TEST.

MY VISITS TO SAUDI ARABIA AND THE GULF WERE THE FIRST THERE

BY A BRITISH PRIME MINISTER IN OFFICE, AND ALSO A FIRST FOR ME PERSONALLY. THE FOUR STATES I WENT TO DIFFERED MUCH IN CHARACTER AND STYLE. BUT ALL MADE ME VERY WELCOME, AND THEIR HOSPITALITY AND KINDNESS WERE ENCOURAGING. OMAN, AS YOU KNOW, IS MORE RECEPTIVE TO OUR IDEAS THAN THE REST. THE SULTAN SEES THE SOVIET THREAT AS HIS TOP PRIORITY, WITH THE ARAB/ISRAEL PROBLEM OF SECONDARY IMPORTANCE. ON THE LATTER HE TAKES A VERY DIFFERENT,

MUCH MORE REASONABLE, LINE ON THE WAY FORWARD.

FOR THE SAUDIS AND THE OTHERS, PALESTINE AND THE RECOGNITION OF PALESTINIAN RIGHTS COME FIRST, OR AT LEAST THAT IS WHAT THEY SAID. I BELIEVE THAT IN FACT THEY DO WANT A SETTLEMENT BECAUSE THE CONTINUATION OF THE PROBLEM INHIBITS THEIR COOPERATION WITH THE WEST. THEY ARE DEEPLY WORRIED ABOUT THEIR OWN PALESTINIAN POPULATIONS. BUT THEY ARE NOT YET READY TO USE THEIR INFLUENCE WITH THE PLO TO PERSUADE THEM TO ADOPT THE MORE MODERATE STANCE WHICH MIGHT IN TURN MAKE POSSIBLE THE KIND OF TALKS ENVISAGED IN THE SECOND STAGE OF THE PEACE PROCESS. WE SHALL HAVE TO KEEP WORKING ON THIS, IN CONSULTATION WITH YOUR PEOPLE, THE ISRAELIS, AND THE EGYPTIANS. THE POSITION OF SYRIA WILL BE CRITICAL. WE MUST SOMEHOW TRY TO REDUCE THEIR SENSE OF ISOLATION. THE SOVIET UNION WILL NO DOUBT BE WORKING AGAINST US.

UNION WILL, NO DOUBT, BE WORKING AGAINST US.

NOBODY I TALKED TO SAW ANY HOPE OF AN EARLY SETTLEMENT OF
THE IRAQ/IRAN WAR. THERE WAS MUCH CONCERN ABOUT THE SITUATION
IN IRAN ITSELF. SIMILARLY, ALL WERE PESSIMISTIC ABOUT AFGHANISTAN.
THEY SEE LITTLE PROSPECT OF THE UN EMISSARY ACHIEVING ANYTHING.
THEY ARE CONCERNED LEST HIS EFFORTS SHOULD WEAKEN THE RESOLVE
OF PAKISTAN WHOSE DIFFICULTIES, HOWEVER, THEY RECOGNISE.

THE POSITION IN NORTH YEMEN IS CONFUSED. CONSOLIDATED, IT COULD PROVE THE BEST BARRIER TO THE EXTENSION OF SOVIET INFLUENCE NORTHWARDS FROM THE PDRY. BUT THE SAUDIS, WHOSE INFLUENCE THERE IS STRONG, ARE CURIOUSLY COMPLACENT AND INDECISIVE. A NUMBER OF THE OTHER LEADERS WERE ANXIOUS ABOUT THE SITUATION. I BELIEVE WE SHOULD GIVE MORE THOUGHT TO THIS PROBLEM TOGETHER.

I WAS RATHER IMPRESSED BY THE SULTAN OF OMAN. HE HAS ACHIEVED A LOT IN 10 YEARS AND PLANS MORE. I TOLD HIM THAT WE WOULD CONTINUE TO HELP HIM WITH MANPOWER, AT HIS REQUEST. HE AND HIS COUNTRY ARE IMPORTANT TO US. BUT WE MUST NOT OVERBURDEN HIM.

IN THE EMIRATES AND QATAR THE PROBLEMS, IF ANY, ARE THOSE OF VERY RAPID DEVELOPMENT, INCLUDING POPULATIONS WHOSE SIZE IS GROWING FAST AND WHOSE COMPOSITION IS CHANGING. BUT THEY SEEM ON THE WHOLE TO HAVE COPED REMARKABLY WELL WITH THE MORE INTANGIBLE AND INTRACTABLE SOCIAL PROBLEMS. THE NEW COOPERATION ORGANISATION BETWEEN THEM, SAUDI ARABIA, KUWAIT, BAHRAIN AND OMAN WILL TAKE TIME TO EVOLVE, BUT SHOULD GIVE GREATER STRENGTH AND COHESION. I ENCOURAGED THEM TO PRESS AHEAD AND OFFERED OUR SUPPORT.

OUR BILATERAL RELATIONS WITH ALL THESE STATES ARE IN GOOD ORDER. I WAS GLAD TO BE TOLD IN ABU DHAB! THAT THEY WOULD BE ORDERING SOME OF OUR TRAINER/STRIKE AIRCRAFT. OUR ABILITY TO MAKE A CONTRIBUTION TO THE DEFENCE OF THE AREA IN AN EMERGENCY, EVEN ON THE MODEST SCALE WE HAVE IN MIND, DEPENDS CRUCIALLY ON OUR BEING ABLE TO SELL OUR DEFENCE EQUIPMENT. THIS ORDER WAS A GREAT ENCOURAGEMENT: WE SHALL BE FOLLOWING IT UP ENERGETICALLY THROUGHOUT THE AREA.

WARM PERSONAL REGARDS AND A RAPID RECOVERY TO FULL HEALTH AND STRENGTH.

THE WORLD NEEDS YOU YOURS SINCERELY MARGARET THATCHER

BT

greatly Concened about the achiter of the Communists is ludia + is carling around for ways to defeat this

MESSAGE FROM THE PRIME MINISTER TO PRESIDENT REAGAN

Thank you very much for your message delivered to me in Delhi. I have just returned from my tour which included Saudi Arabia, the UAE, Oman and Qatar as well as India. You might be interested to have my main impressions to set beside Al Haig's, which I was very glad to have in London before I set out.

My main purpose in visiting India was to try to consolidate relations with Mrs. Gandhi personally. I believe that I succeeded in fair measure. But there is a good way to go if relations between India and the West are to be put on a really sound footing. Mrs. Gandhi is, as you must know, very suspicious of our policies and, in particular, of the policies of successive US Governments. She claims to have had virtually no personal relations with anyword your recent predecessors. You might be surprised, however, by the extent of her suspicion of Russian activities in India, which the maintains, have often been directed against her, in the She maintains have often been directed against her in the election of 1977. She is not a Marxist. Her whole agricultural (amis the same munage. India's agriculture, is surely one of the success stories of recent years. with virtual self-sufficiency

This is the result of the introduction in grain, now achieved. of the new varieties of wheat in the development of which your experts have played such a part.

On the other hand, perhaps as a counter to the threat she perceives from China, or possibly because she feels that the Soviet Union, as the super power nearest to India, has to be appeased, Mrs. Gandhi remains strongly opposed to any action to support the Afghanistan resistance. She argues that the best hope of achieving Soviet withdrawal from Afghanistan, which she genuinely wants, is through negotiations. / made it Clear that I thought she was to sangume.

Entangled with this is her extraordinarily deep-rooted fear of Pakistan. I defended in public and in private Pakistan's with India. Mrs. Gandhi said that she too wished for friendship: Zia about his wish for friendship// would be visiting Islamabad next month. But it was quite clear, and she said it in public, that arms supplies to Pakistan are If Pakistan does indeed regarded in India as objectionable.

/ carry

much more reasonable, line on the way forward.

For the Saudis and the others, Palestine and the recognition of Palestinian rights come first, or at least that is what they said. I believe that in fact they do want a settlement because the continuation of the problem inhibits their cooperation with the West. They are deeply worried about their own Palestinian populations. But they are not yet ready to use their influence with the PLO to persuade them to adopt the more moderate stance which might in turn enable them to agree to the serie of talks envisaged in the second stage of the peace process. We shall have to keep working on this, in consultation with your people, the Israelis, and the Egyptians. The position of Syria will be critical. We must somehow try to reduce their sense of isolation. The Soviet Union will, no doubt, be working against us.

Nobody I talked to saw any hope of an early settlement of the Iraq/Iran war. There was much concern about the situation in Iran itself. Similarly, all were pessimistic about Afghanistan. They see little prospect of the UN emissary achieving anything. They are concerned lest his efforts should weaken the resolve of Pakistan whose difficulties, however, they recognise.

The position in North Yemen is confused. Consolidated, it could prove the best barrier to the extension of Soviet influence northwards from the PDRY. But the Saudis, whose influence there is strong, are curiously complacent and indecisive. A number of other leaders were anxious about the situation. I believe we should give more thought to this problem together.

I was rather impressed by the Sultan of Oman. He has achieved a lot in 10 years and plans more. I told him that we should continue to help him with manpower, at his request. He and his country are important to us. But we must not overburden him.

In the Emirates and Qatar the problems, if any, are those hours of the problems. If any, are those the problems of the problems of the problems of the problems. They seem to have coped remarkably well with the more intangible and intractable social problems. The new Cooperation organisation between them, Saudi Arabia, Kuwait, Bahrain and Oman will take time to evolve, but should give greater strength and cohesion. / Inwanger them to from when offers of the problems.

Our bilateral relations with all these states are in good order. I was glad to be told in Abu Dhabi that they would be ordering some of our trainer/strike aircraft. Our ability to make a contribution to the defence of the area in an emergency, even on the modest scale we have in mind, depends crucially on our being able to sell our defence equipment. This order was a great encouragement: we shall be following it up energetically throughout the area.

ma afte copied to Anh. For metry on Friday, 1/5. Foreign Phices PRIME MINISTER Follow-up to your trip to India & the Middle East: Sales Aspects India (a) Steel Plant: we await news of developments. Unfortunately the Indian High Commissioner who undertook to lobby vigorously on behalf of Davy is ill in bed and we do not know what, if anything, he achieved. (b) Folkloric garments, etc: I attach a report from the Department of Trade. The recommendation is that Mr. Pitman should write to his Indian opposite number. Saudi Arabia (a) Arabsat. Vigorous representations are being made in Jeddah in the light of ECGD's decision to adapt their terms in the light of exchange rate changes. (b) SANGMED and SANGCOM. We now have a telegram from Jeddah setting out the details of other countries' practice on immunities. I have asked for a report on our response to this information by the end of the week. (c) Tornado. No further action for the moment. (d) Off-shore oil installations. We await further news of the Saudi team which Prince Naif said would probably be coming to this country. Abu Dhabi Detailed discussions on the Hawk are due to start next week. Dubai I have asked for a report on progress with the desalination plant contract by the end of this week. / Oman

The Foreign Office will be letting us have a comprehensive letter complete with recommendations by the end of this week. This will cover, inter alia, charges for Loan Service Personnel; the reduction in aid; the credit; the university.

Qatar

Rapier. I have asked for a report by the end of the week on follow up to statements made to you by the Emir and his son the Crown Prince.

The North West Dome. The Ambassador will, of course, be reporting your interest in the problems being encountered by Shell. I shall also be making the point La Mapl of Langu.

Power Olilian

Phil

VLG



10 DOWNING STREET

From the Private Secretary

27 April 1981

Prime Minister's Visit to India

I enclose a complete set of the records of the Prime Minister's discussions during her visit to New Delhi on 15 and 16 April.

I am sending a copy of this letter and all its enclosures to David Wright (Cabinet Office). I am also sending copies of the letter and of those enclosures containing material of concern to them to John Halliday (Home Office), John Wiggins (HM Treasury), Ian Ellison (Department of Industry) and John Rhodes (Department of Trade).

M. O'D. B. ALEXANDER

R. M. J. Lyne, Esq., Foreign and Commonwealth Office.

COMFIGERATIAL



24 April 1981

From the Secretary of State 's Private Secretary

T P Lankester Esq PS/Prime Minister 10 Downing Street SWl

Dow Tim.

We were asked to provide ready for the Prime Minister's return a report dealing with the various Indian problems raised with the Prime Minister on 16 April by the Indian Minister of Commerce and Steel, Mr Mukherjee.

- 2. Attached is a detailed report prepared by a special Working Party led by the Department of Trade and involving representatives of the various other Departments concerned.
- 3. The main points are as follows :
 - Folkloric Garments

The Customs have completed action with the 19 importers involved. Apart from the 3 cases involving legal action and the 2 cases involving genuine folkloric goods it is for the importers to decide what to do i.e. either to re-export or seek entry against the quota upon receipt of the necessary Indian Government Export licence. Customs have invited the Indians to discussions on the treatment of future consignments.

b) Inflammable Dresses

Although not specifically raised with the Prime Minister this has been linked by the Indians with the folkloric garments issue in earlier discussions. A statement which should help allay Indian concerns is to be issued by the Minister of State for Consumer Affairs next week.



From the Secretary of State

c) Shipping

For several years we have resisted Indian pressure to get HMG to depart from its normal policy and intervene in discussions between shipowners and customers. Economic factors on the UK/India route (not least subsidised competition from the USSR and India itself) have not been conducive to investment by British shipping lines. Three British and 2 Continental lines are however now considering the feasibility of a joint container service. If this results in a decision to proceed we will obviously have met that particular grievance. But the companies have asked that we should say nothing just yet.

d) Tobacco

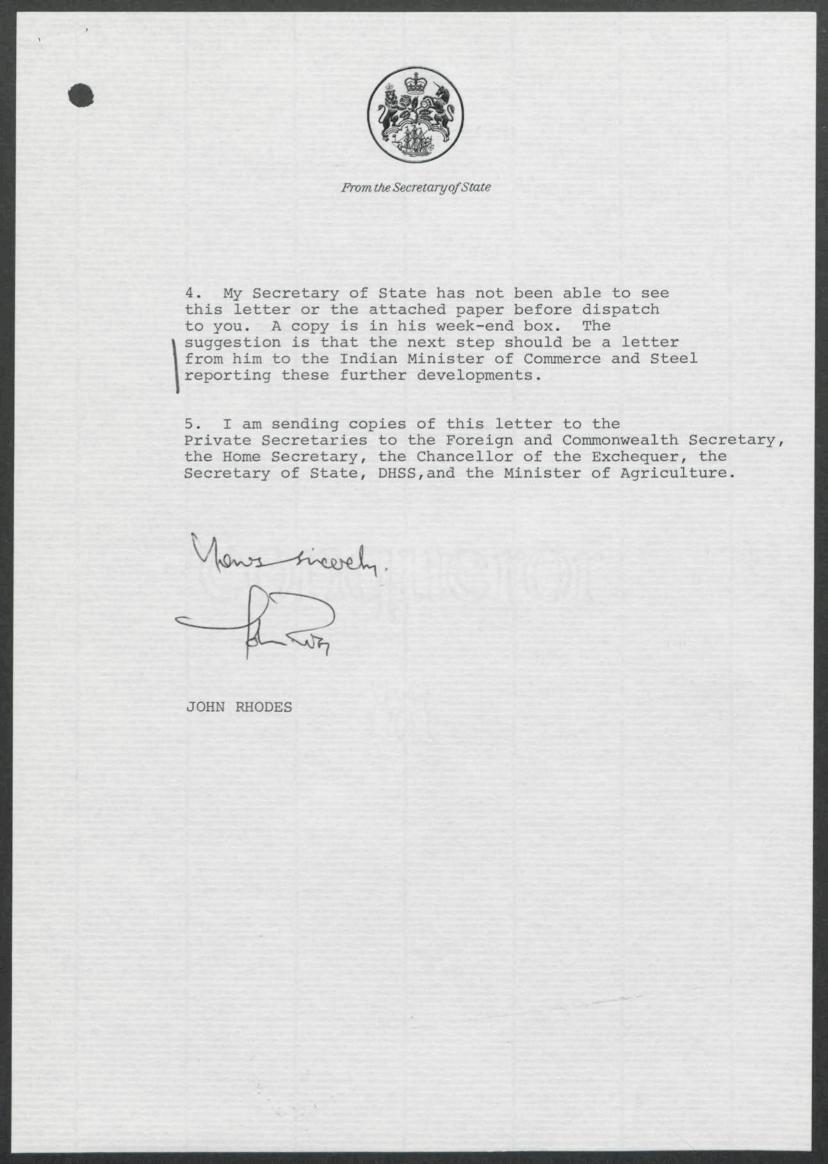
We can promise the Indians continued support within the EC for their efforts (despite Italian and French objections) to get improved access under the Generalised System of Preferences.

e) Aflatoxin

The Ministry of Agriculture is about to put proposals to Ministers which should dispose of Indian complaints about discrimination. This would allow imports of Indian cottonseed to resume but there would still be problems for groundnut (the major interest for the Indians) unless they can improve the quality of their product. We should be able to inform the Indians about these proposals as soon as Ministers have decided upon them.

f) Opium

The decline in UK imports from India is due to a number of factors including the need for UK manufacturers to draw on the most economic sources of raw materials available. There has also been a substantial decline in the manufacture of opiates in the UK. Although officials do not believe that it is right to use existing statutory powers designed for other purposes to compel UK firms to operate contrary to their commercial judgement, we can tell the Indians that at least 2 UK companies remain in the market for raw opium from India and purchases can expand if the Indians can meet price and delivery requirements.



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INDIAN TRADE PROBLEMS

This note deals with the various matters raised with the Prime Minister on 16 April by Mr Pranab Mukherjee, the Indian Minister of Commerce and Steel. It has been prepared by the Department of Trade in consultation with the other Departments concerned.

Folkloric Garments

- 2. Nineteen importers in all had consignments queried by Customs. Customs have now completed their investigations. The position today -Friday April 24 - is set out in the Annex to this note.
- 3. It is now up to the importers to respond to the various offers made by Customs. As soon as the Indian Government issues export licences to those traders who decide to avail themselves of Custom's offers to release for sale in the UK under quota the corresponding import licences will be issued forthwith. We have



considered once again whether there is any further action we might take. We recognise the continuing importance the GoI attach to this issue, and the negative influence it could exert on their impending decisions on the coastal steel plant contract. However, given the elements of fraud and the various offers now made by

Customs there is nothing more we can do on these particular consignments. Customs are very willing to have further discussions with the Indians on the Customs treatment of future shipments and have already invited them to such discussions.

4. Moreover a Commission team is currently in India discussing the renewal of the current EC/Indian bilateral textile agreement which expires at the end of this year. The future treatment of folklorics - which has long caused problems (not only for us but other Member States also) - will be one of the issues under discussion).



- 5. An issue which the Indians have linked with the folklorics one but which was not raised with the Prime Minister is inflammable dresses. The Indians consider that cautionary statements issued by Department of Trade Ministers impugned Indian-made garments unjustly. We consider that they were fair and have explained to the Indians that any further statement on the subject could only go part of the way towards meeting their wishes. They have said that they would nevertheless appreciate such a statement, The Minister of Consumer Affairs will issue a statement next week.
- 6. In our view we should not go beyond the actions mentioned in paragraphs 3 and 5.

Shipping

- 7. The Indians have claimed on numerous occasions, going back to 1978, that the British-based shipping services between India and the UK were inadequate.
- 8. Traditionally, the eastwards trade has subsidised the westward, which consists largely of price-sensitive commodities. This inherent downward pressure on west-bound freight rates has been intensified in recent years (1) by the numerous container vessels returning to Europe from the Gulf, which would otherwise go back empty, competing for West-bound Indian freight and capturing up to 50% of it (2) by the lines' inability to pass on the costs of congestion in Indian ports. These factors



have caused one of the five UK Conference Lines to cease trading; a second (Ellermans) has suspended its services; and a third (Clan) has sold off most of the vessels it operated on the UK/India route. Only Anchor and P & O still provide a regular service.

- Thus, whilst the UK lines have certainly curtailed 9. their services they have done so in response to trading conditions and in the light of their commercial judgement. Regular meetings between the shipper organisations (including the All India Shippers Council) and the Conference lines afford ample scope for this judgement to be called into question and defended by those directly concerned. HMG has long regarded such discussions between shipowners and their customers as the proper way to resolve questions about the provision of shipping services. We have no powers to impose particular commercial policies on UK shipowners and very little leverage over them. The Indians are well aware of this, although it has not deterred them from soliciting intervention by HMG.
- 10. Container services have been introduced recently by the Soviet and Indian members of the Conference. The Soviets do not, in this field, look for a normal economic return; and the Indians are thought to be highly unlikely to be able to make the service pay without substantial assistance from the GoI (which is itself effectively one of the major shipowners).



11. Although this is not the most auspicious background for further investment by the British lines it puts their long-term position at risk and we have ascertained that P & O, Clan, Ellermans and two continental lines are actively considering the establishment of a joint container service themselves. It would be wrong to give favourable indications to the GoI at this stage, when it is not certain that the proposed service will be launched. But an end to this particular complaint may be at least in prospect.

TOBACCO

- 12. Indian exports to the UK fell by 30% between 1979 and 1980. The Indians want improved access under the EEC Generalised System of Preferences to recover this ground. We take 56% of the present duty-free quota for Virginia-type tobacco (61,200 tonnes) and have strongly supported its enlargement; but have been resisted as strenuously by Italy (in particular) and France, for whom tobacco is a sensitive product. (We of course have similar sensitivities in other areas.)
- 13. Decisive action is not within our gift; but we have already told the Commission that we want improved access for tobacco included in their proposals for the 1982 GSP and can promise the Indians continued support.



AFLATOXIN

- 14. The Ministry of Agriculture held a major meeting of farming, trade and regulatory bodies concerned on 15 April to consider the propositions (1) that all animal feed constituents should be subject to a legal maximum aflatoxin contamination level of 400 parts per billion (which would greatly reduce but not eliminate the risk of contamination reaching human food); and (2) that groundnut should not be sold or used for inclusion in dairy cattle feed (which would prevent contamination in milk, the most serious problem).
- 15. No internationally agreed levels of acceptable aflatoxim contamination exist, but a standard figure of 400 ppb for all constituents would not be out of line with standards applied by other importers. It should dispose of the Indian complaint about discrimination.

 Imports of Indian cottonseed should then be able to resume but the existing quality of Indian Groundnut is unlikely to pass the test (groundnut is the more significant export for the Indians).
- 16. The Ministry of Agriculture plans to put proposals to Ministers early in May. There is a statutory requirement to consult all interested parties before Regulations are presented to Parliament. This will afford an early opportunity for putting our proposals to the Indians and obtaining their views.



OPIUM

17. The decline in UK imports of raw opium (RO) from India is due to

- (a) a global trend away from raw opium towards

 poppy straw concentrate as the raw material

 for morphine and codeine. In 1975 morphine

 extracted from opium accounted for 65% of

 total morphine manufacture: in 1979 only 40%
- (b) global over-supply both of raw materials and manufactured opiate drugs, causing depressed prices
- (c) the contraction of the UK manufacturers' export markets
- (d) a consequent decline in the manufacture of opiates in the UK, as shown by the following figures for codeine production

	Kgs
1976	28,762
1977	21,234
1978	21,766
1979	21,567
1980	14,776



18. Although the switch to concentrate of poppy straw (CPS) from RO is the main reason for the drop in RO imports from India the total demand for both materials has also declined:

	Kgs •		
	1978	1979	1980
RO	213,964	94,949	7,013
CPS (in terms of anhydrous morphine	12,035	19,396	14,758
alkaloid content)			
TOTALS	225,999	114,345	21,771

- 19. The Indians are effectively asking us to use the licensing powers of the Misuse of Drugs Act 1971 to compel the three UK manufacturers to rely on RO by not licensing the importation of CPS. Arguments weighing against this are:
 - (a) It is by no means clear that this would be a proper use of powers given to prevent drug misuse, and the chances of legal challenge are high.
 - (b) To compel manufacturers to act against their commercial judgement - particularly at a time when their markets are contracting - is: undesirable.

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- (c) The British firms were responsible for developing the Australian production when there were difficulties in securing adequate supplies elsewhere. Acceding to the Indian request would cut off their return on that investment.
- 20. Although the last Labour Government supported
 UN resolutions calling on importers to support traditional
 supplies it seems right to stop short of compelling
 the UK manufacturers to use RO.
- 21. The manufacturers are, however, aware of the Indians' predicament. Both we and the International Narcotics Control Board have exhorted them to do what they can to support the Indians.
- 2. Although it seems impossible that demand for RO will climb again to anything like 200 tonnes p.a., there is good reason to regard talk of the trade disappearing as too pessimistic. One of the UK companies has no present plans to use CPS and expects to import 15-25 tonnes of RO this year. The second has contractual commitments for CPS that make it unlikely that they will import more of RO than 15 tonnes/this year, but if the Indians can offer a competitive price (and offer it in good time) they could be in the market for 50 tonnes next year and beyond.

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23. The real problem is that the Indians' exports have declined overall - not just to the UK. (The INCB report for 1980 says that of the major importers only the USA, the USSR and Japan have maintained their imports).

Restrictions applied in the UK alone would help very little.

Department of Trade 24 April 1981



FOLKLORIC GARMENTS

No of	No of	Action Taken
Importers	Pieces (approx)	ACCION Taken
1	3,300	Goods folkloric:
4	<u>h</u> 5000	Goods non-folkloric: released for re-export outside Community or for sale in UK against relevant quotas.
9	12500	Goods non-folkloric: release on same terms as above offered.
1	500	Goods non-folkloric: not entered on arrival for sale into the UK. Trader has told Customs he will be presenting an import licence.
1	600	A mixed consignment for which, inter alia, incorrect quantities were declared. 400 folkloric pieces available for release on receipt of correct documentation.



No of

Importers

No of

Pieces (approx)

Action Taken

Release for re-export or entry against quota offered for the other 200 (non-folkloric).

3 300

1

Goods non-folkloric.

Deliberate attempts
by importers to
avoid quotas. Customs
have initially made
offers to compound
proceedings (ie to
pay fines) in lieu
of Court proceedings.
One has accepted so
far and an offer to
restore the goods
has been made.

Caparo House 103 Baker Street, London WIM IFD Telephone: 01-486 1417. Telex: 8811343 SP/EBA/CH My dear Prime Manster, It was a great honour for me to receive your telephone call before you left for India. My small son who was hearing the Chequers operator for the first time will remember it all his life. On your return I write to say how much I hope you enjoyed your visit to the country of my birth and to express my heartfelt wish that you have been able to strengthen relations with India. I was delighted to hear from my friends in Delhi how well your talks had gone with Mrs Indira Gandhi. I am pained to see the negative press comments about your visit. For reasons best known to themselves the press have tried to highlight the differences rather than the achievements of the visit. I had felt uneasy from the start, when I saw a B.B.C. film report on India, almost on the eve of your visit, which unfortunately set the tone for the press in India who were quick to take a cue from their brethren in Fleet Street. I did mention this to you on the telephone. In an effort to set the record straight, Mr Eldon Griffiths and I have written to The Times as attached. I hope they will print the letter soon and if so I will arrange for the text to be widely circulated in India. I very strongly believe that the visit has done an immense amount of good and has cleared the air for future good relations between the two countries. Meanwhile may I say that if there is any way in which I can help in your future relations with India, or, nearer home in your Government's dealings with the Indian community in Britain, I shall be glad to do all I can. The dearest wish of my family and myself is to improve relations between the people of both my countries. Rt Hon Mrs Margaret Thatcher, MP 10 Downing Street London SW1

THE INDO-BRITISH ASSOCIATION

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> Caparo House 103 Baker Street London WIM 1FD

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EG/SP/EBA/IBA

Letters Editor
The Times
New Printing House Square
Grays Inn Road
London WCl

23 April 1981

Sir:

On the Prime Minister's return from India and the Gulf, the impression created by much of the press and TV coverage is that her tour of Saudi Arabia and the Emirates was a diplomatic and commercial success whereas her talks in Delhi and Bombay achieved little or nothing. Few people will quarrel with this assessment of Mrs Thatcher's visit to the Gulf but insofar as India is concerned, we have reason to believe that the media got it wrong.

That Mrs Thatcher and Mrs Gandhi would not see eye to eye over a wide range of East-West issues - Afghanistan, Poland, the U.S. intervention force - was predictable and predicted. And the reasons are not far to seek. Modern India, under almost any Government, is bound to give high priority to good relations with the Soviet Union - just as Britain under any Government we can foresee, is apt to be broadly pro-American.

Mrs Gandhi too is just as sensitive about Pakistan and suspicious of Washington's intentions as Mrs Thatcher is bound to be sensitive about Ireland and suspicious of Moscow's intentions. On our own more modest level, we too disagree about the relative merits and demerits of the U.S. and the U.S.S.R., but this in no way diminishes our common commitment to Indo-British understanding.

So it was, as we understand it, when the two Prime Ministers met in New Delhi, both leaders freely and openly stated their positions on East-West relations. Both came away with an enhanced appreciation of the other's views and the factors that lie behind them. Why such frank exchanges should have been reported as a "row", much less a "failure" is beyond us. Is it not precisely the function of high level talks, especially between Commonwealth leaders, to deepen understanding and, perhaps, to find common ground?

..../2

This, we are informed, is exactly what happened when the talks turned to bilateral matters. Mrs Gandhi can be assumed to have accurately represented the strong feelings of her fellow countrymen about Britain's Nationality Bill. And Mrs Thatcher, no less accurately, will have explained its objectives, reputing, as she was surely entitled to, the wilder allegations that have appeared in the Indian press. But on neither side was there any hint of interference in the other's internal affairs. Exactly as one might expect from the most experienced of the Commonwealth's Heads of Government, Mrs Gandhi accepts that Britain's nationality rules are the exclusive province of the British Parliament, and no other. Mrs Thatcher, by the same token, was at pains to avoid any appearance of interference in India's own decisions on such strictly internal matters as population control or constitutional changes - notwithstanding Fleet Street's erstwhile preoccupation with them. Where we hope - and believe - that the Prime Ministers had their most useful exchanges was in the field of bilateral commerce. Both are well aware of the potential for vastly increased trade between an India that needs British technology, investments, and buying power, e.g. for tea and light engineering goods, and a Britain which can benefit enormously from 700 million Indians growing ability to absorb British exports - be they steel plants, jet aircraft, telephone exchanges or support for oil exploration.

To the extent that the press in both countries concentrated, as is their wont, on the well rehearsed differences rather than on these new opportunities, a totally misleading impression has been given of Mrs Thatcher's visit to India. Insofar as this serves to impede trade and investment, or to worsen race relations in certain parts of Britain, the Indo-British Association will be the first to regret it. Fortunately, both our Prime Ministers are too experienced and too confident of their personal relationships to be greatly discomforted. It is after all, barely two years since the British press, including The Times, was condemning Mrs Gandhi as a "dictator...criminal... and (pace Bernard Levin) a murderer!" To her credit, Mrs Gandhi has brushed aside these fatuous objurgations as surely as Mrs Thatcher will dismiss the absurd allegations that she is a "racist...fascist...and a warmonger" that have appeared in the Indian press.

That British relations with India need constant care and attention, we have never doubted; indeed, in no small way we ourselves never cease working to improve them. So in rejecting, as we must, the misleading coverage of the British Prime Minister's visit that has been projected both in the Indian and British media, we take comfort in the abiding things that link our two countries together: the inter-penetration of so much Indian and British culture; the inter-dependence of a great deal of British and Indian commerce; in our shared belief in the rule of law and Parliamentary election; above all, the human relationships personified by a million graves in India and a million or more people of Indian origin who have made their homes in Britain and contribute so much to this country's economic and social development.

The most important aspect of Mrs Thatcher's visit to India was that it symbolised this abiding friendship. Ill-informed press reports can make things more difficult: but they cannot and must not be allowed to take this friendship away.

Yours faithfully

Swraj Paul Chairman Eldon Griffiths, MP

Vice-Chairman

CONFIDENTIAL GRS 500 CONFIDENTIAL FROM DELHI 220510Z APR TO ROUTINE FCO TELEGRAM NUMBER 430 OF 22 APRIL 9131 INFO ROUTINE ISLAMABAD MY TELNO 417: PRIME MINISTER'S TALKS WITH MRS GANDH! 1. THE PAKISTAN CHARGE D'AFFAIRES CALLED TODAY TO ASK FOR A BRIEFING. IN RESPONSE I HELD CLOSELY TO THE LINE OF PARAGRAPHS 3 TO 9, 11 TO 13 AND 15 OF THE TUR. I WARNED AFZAL MAHMOOD THAT I COULD NOT BE SURE OF ALL THAT HAD PASSED IN THE PRIVATE MEETINGS BETWEEN THE 2 PRIME MINISTERS. HOWEVER, I HAD NO REASON TO SUPPOSE THAT ANY OTHER POINTS OF INTERNATIONAL SIGNIFICANCE WERE RAISED. THERE WAS LITTLE DISCUSSION ON INTERNATIONAL ECONOMIC MATTERS WHILE BILATERAL ECONOMIC MATTERS HAD LARGELY BEEN DEALT WITH IN ADVANCE OF THE VISIT. THERE WAS A CERTAIN AMOUNT OF DISCUSSION ABOUT IMMIGRATION AND RACE RELATIONS QUESTIONS, BUT MOST OF THE TIME SPENT ON THIS WAS DEVOTED TO AN EXPOSITION BY THE PRIME MINISTER OF OUR POLICY, TOGETHER WITH AN EXPLANATION OF THE 4 AMENDMENTS MADE TO THE NATIONALITY BILL. 2. IN REPLY TO QUESTIONS | SAID: (A) BOTH PRIME MINISTERS HAD BEEN DETERMINED THAT THE VISIT SHOULD BE A SUCCESS. BOTH MADE THEIR VIEWS PLAIN, BUT THEY AVOIDED PRESSING POINTS IN A WAY THAT MIGHT HAVE LED TO ACRIMONY OR UNDUE CONTROVERSY. (B) THE PRESS HAD BEEN LESS RESTRAINED AND TO THAT EXTENT HAD SOMEWHAT MISREPRESENTED THE TONE OF THE VISIT. (C) THERE HAD BEEN NO REFERENCE TO PAKISTAN JOINING THE COMMONWEALTH. (D) THERE HAD BEEN NO REFERENCE IN THE TALKS (THOUGH THERE WAS A QUESTION IN MRS THATCHER'S PRESS CONFERENCE) TO DEIGO GARCIA. (E) MRS GANDHI HAD NOT PUT FORWARD AN APOLOGIA FOR THE SOVIET UNION, THOUGH SHE HAD REFERRED TO THEIR PERENNIAL FEAR OF ENCIRCLEMENT. 3. AFZAL MAHMOOD SAID THAT HIS GOVERNMENT WAS VERY GRATEFUL FOR THE ''PRINCIPLED'' STAND WHICH THE PRIME MINISTER HAD TAKEN. THIS WAS A GREAT BOOST TO PAKISTANI MORALE. HE MADE A NUMBER OF OTHER REMARKS EXPRESSIVE OF A HIGH DEGREE OF PLEASURE. /4. AFTER CONFIDENTIAL

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4. AFTER THE BRIEFING WE HAD A MORE GENERAL DISCUSSION IN WHICH I TOLD AFZAL MAH MOOD THAT, IN DISCUSSION WITH ME, VERY SENIOR INDIANS HAD SAID THAT THEY WERE NOT SO MUCH PERTURBED ABOUT THE SIZE OF A PAKISTANI ARMS ORDER FROM THE US AS ABOUT ITS TIMING. IF IT WERE SPREAD OVER 10 OR 15 YEARS, AS IN THE CASE OF THE SOVIET ARMS DEAL WITH INDIA, THEY CLAIMED THAT THEY WOULD PROBABLY HAVE NO OBJECTION. IT WAS THE THOUGHT THAT THE ARMS MIGHT ALL BE DELIVERED IN A RELATIVELY SHORT SPACE OF TIME SUCH AS 3 YEARS WHICH THEY PROFESSED TO FIND MOST WORRYING. I SAID THAT THE INDIANS AND PAKISTANIS SEEMED TO HAVE AN EQUAL GENIUS FOR PUTTING THE CORRECT SENTIMENT IE. THE WISH TO IMPROVE RELATIONS, IN A FRAME-WORK WHICH WAS INEVITABLY DISOBLIGING TO THE OTHER . I HAD IN MIND AS AN EXAMPLE, BUT DID NOT MENTION, AGHA SHAHI'S STATEMENT IN ISLAMABAD TEL NO 228. I SAID THAT WE WISHED THAT BOTH COUNTRIES WOULD REALLY TRY TO IMPROVE THE RELATIONSHIP. I DID NOT BELIEVE THAT INDIA WAS COLLUDING WITH THE SOVIET UNION OR EVEN THAT SHE HAD AGGRESSIVE IDEAS OF HER OWN VIS A VIS (UNDERLINED) PAKISTAN. AFZAL MAHMOOD AGREED THAT THAT MIGHT WELL BE THE CASE. HOWEVER, HE WENT ON TO SPEAK ABOUT OLD WARS. JUST LIKE THE INDIANS HE PREFERRED TO DISCUSS THE HISTORIC PAST RATHER THAN DEALING WITH THE ACTUAL PRESENT.

THO MSO N

[THIS TELEGRAM WAS NOT ADVANCED]

FCO/WHITEHALL SAD



10 DOWNING STREET

From the Private Secretary

20 April 1981

Dem Robine,

It was not possible to de-brief the 16.4.81 Prime Minister on her second tete-a-tete meeting with Mrs Gandhi until after we had left India. I attach a note. You may like to arrange for a copy of this to be sent to Sir John Thomson for his personal information.

Jours ever Puhael Alexander

R.M.J. Lyne, Esq., Foreign and Commonwealth Office.

India GRS 350 UNCLASSIFIED FROM RIYADH 192051Z APR 81 TO ROUTINE F C O TELEGRAM NUMBER 006 OF 19 APRIL INFO DELHI, 30MBAY. FROM LANKESTER, PRIVATE SECRETARY TO PRIME MINISTER. PRIME MINISTER'S VISIT TO 30MBAY. 1. BEFORE YESTERDAY'S LUNCH WITH THE BOMBAY CHAMBER OF COMMERCE. THE PRIME MINISTER HAD A DUESTION AND ANSWER SESSION WITH A FEW OF THE CHAMBER MEMBERS. TWO POINTS CAME UP WHICH THE PRIME MINISTER SAID SHE WOULD FOLLOW UP. 2. FIRST, IT WAS SUGGESTED THAT THE NEXT ! DUKE OF EDINBURGH CONFERENCE !! , WHICH APPARENTLY IS CONCERNED WITH INDUSTRIAL AND HUMAN RELATIONS IN INDUSTRY, SHOULD BE HELD IN INDIA. THE PRIME MINISTER WAS TOLD THAT THE NEXT CONFERENCE IS PLANNED FOR 1985, AND THAT THE GOVERNMENT OF INDIA ARE SYMPATHETIC TO THE SUGGESTION THAT IT SHOULD BE IN INDIA. IT WAS SUGGESTED THAT WE SHOULD TAKE UP THE POSSIBILITY OF AN INDIAN VENUE WITH THE CONFERENCE COUNCIL. 3. SECOND, CONCERN WAS EXPRESSED ABOUT THE INCREASE IN OVERSEAS STUDENTS' FES. AND THE EFFECT THIS WOULD HAVE ON THE NUMBER OF INDIANS STUDYING AT BRITISH UNIVERSITIES. THE PRIME MINISTER RESPONDED THAT INDIAN STUDENTS WOULD CERTAINLY STAND TO BENEFIT FROM THE MONEY BEING ALLOCATED TO ASSIST OVERSEAS STUDENTS UNDER THE AID PROGRAMME, BUT THAT SHE COULD NOT SAY PRECISELY HOW MANY INDIAN STUDENTS WOULD BE INVOLVED. SHE SAID SHE WOULD ARRANGE FOR FURTHER INFORMATION, INCLUDING IF POSSIBLE AN ESTIMATE OF THE NUMBER OF INCLAN STUDENTS WHO COULD BENEFIT UNDER THE NEW SCHEME, TO BE MADE AVAILABLE TO THE CHAMBER. 4. GRATEFUL IF YOU WOULD TAKE NECESSARY ACTION AND ADVISE DEPUTY HIGH COMMISSIONER, BOMBAY. CRAIG LIMITED SAU COPIES SENT TO No. 10 DOWNING STREET NEWSD PS THIS TELEGRAM PSILPS WAS NOT PS MR BLAKER ADVANCED MA DONALD

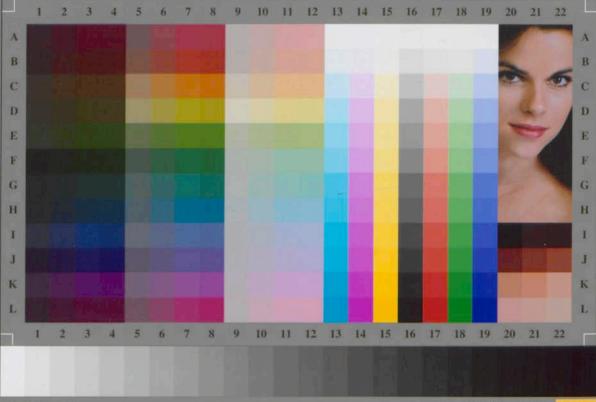
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