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From the  
Minister for Trade

John Coles Esq  
Private Secretary  
10 Downing Street  
London SW1A 0AA

19 May 1982

Dear John,

ORISSA STEEL PLANT

My Minister recognizes that the Prime Minister has major concerns at the moment, but our High Commissioner in Delhi has been invited to an informal meeting with Mrs Gandhi tomorrow. This is an invaluable moment for us to put over our concern that, whilst the GOI have decided to follow a different route for the steel plant from that originally proposed, we would still hope for a significant British contribution to this development.

If the Prime Minister agrees, we would like to authorise John Thompson to take the following general line:

"Our Prime Minister is very pleased at the successful conclusion of the thermal power contract, but sad that for reasons which are well understood the Indian Government has felt compelled to withdraw the Letter of Intent for the steel contract. I would go on to say something about the importance of the financial package and the need to get the project going again quickly even though possibly in a different form. I would suggest that the maximum use should be made of the expensive work that has already been done with Davys and that this would permit early decisions.

I would say that we hope that under the new organisation for developing the steel plant, Davys will still be allowed to play a significant role, perhaps in co-ordinating European supplies. At the same time I would stress the Prime Minister's special hope that in the excellent spirit which was achieved during Mrs Gandhi's visit to London the maximum orders could be placed with British industry. I would aim to avoid saying anything specific about British aid, though I would of course make it clear that HMG would consider sympathetically its contribution to the financial package. Finally, I would

Prime Minister

Agree that Sir J. Thompson  
should speak to Mrs. Gandhi  
as at X below:

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say that our Prime Minister has not written formally since she recognizes Mrs Gandhi's pre-occupations but may do so at an appropriate time."

I am copying this letter to Jonathan Spencer (Industry), Terry Mathews (Treasury), Stephen Lamport (FCO) and Pam Hilton (ODA).

*Yours ever,*

*Nicholas McInnes*

N McINNES  
Private Secretary to the  
Minister for Trade (PETER REES)