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CONFIDENTIAL



Prime Minister
To note.

A.J.C. 19/7

From the Secretary of State

A J Coles Esq
10 Downing Street
London SW1

16 July 1982

Dear John,

ORISSA STEEL PLANT

We noticed that the Prime Minister referred to the aid that had been made available for this project in her summing up of the discussion at OD(FAF)(82)2nd on 6 July. This acted as a reminder to bring you up to date on recent developments.

The Minutes of that meeting recorded the Prime Minister as stating that the Orissa steel project had been lost to the Germans. In fact although the Indians finally broke off negotiations with Davy during May, the contract has not been awarded elsewhere and the Indians have indicated that they do not intend to reopen discussions with the rival consortium led by Demag of West Germany. The Indians no longer intend to let the contract on a turnkey basis but rather to take on the on-shore work themselves and to purchase the equipment from foreign suppliers.

In his last rounds of discussions with Indian Ministers and officials before he left Dehli, Sir John Thomson found a considerable willingness to envisage substantial UK participation on a new basis in the Orissa project, and possibly other Indian steel projects. He was confident that this reflected Mrs Gandhi's personal wish that the UK should be involved. Following his advice, we have just written to the Indian Department of Steel and suggested government to government discussion on how the UK might participate in the Indians' current plans for the project.

If these discussions get off the ground the question of aid will undoubtedly be raised. While we have made it clear that the previous offer is no longer on the table, if the Indian Government were to propose to negotiate substantial UK participation in a revised Orissa project, they would undoubtedly expect financial terms along similar lines to be available. It is of course probable that the UK content would be less than the original package, and there may be some delay in the project going ahead. In recognition of this, some of the aid set aside has already



From the Secretary of State

been reallocated. But as long as there seems a good prospect of securing major orders for the UK for the project we consider we should keep open the possibility of offering a substantial part of the original aid package.

I am copying this to the Private Secretaries to Mr Hurd, Mr Marten, Mr Nott, Mr Brittan and Mr Baker.

Yours sincerely

JOHN RHODES
Private Secretary



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Units Overseas



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10 DOWNING STREET

From the Private Secretary

23 July, 1982.

Orissa Steel Plant

Thank you for your letter of 16 July, the contents of which the Prime Minister has noted without comment.

A. J. COLES

John Rhodes, Esq.,
Department of Trade.

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