



Foreign and Commonwealth Office

London SW1A 2AH

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10 July 1989

Dear Charles,

French Bicentenary: Breakfast Meeting
with Rajiv Gandhi: 0800-0900, 14 July

This meeting has been set up at Mr Gandhi's request as a London meeting in July proved impossible. General elections are due by December which precludes a visit later in the year. He will fly direct from Paris to Moscow for a meeting with Mr Gorbachev, and on to Islamabad for talks with Miss Bhutto.

This will be the first meeting between the two Prime Ministers since CHOGM in 1987; it will take place in a very different atmosphere. Over the last year, Gandhi finally appears to have decided that we are sincere in our wish to cooperate with him over Sikh extremism, and that he should regard Britain and the Prime Minister personally as friends. The Foreign Secretary's meeting with him in March went extremely well. For the first time in four years the two Prime Ministers should be able to meet without devoting most of their attention to contentious bilateral issues.

Our main objective will be to consolidate these welcome trends. We recommend devoting most of the meeting to a general discussion of international issues. We shall also want to explore discreetly whether there is scope for setting the seal on the improvement in our relations by clinching a major deal, possibly for military or civil aircraft.

Indian objectives are broadly similar. There is no indication that Mr Gandhi wishes to discuss any specific bilateral problems. He is probably keen to be seen to have a wide ranging dialogue with the Prime Minister on the major international issues of the day, to reinforce the image he will be projecting at home of a successful world statesman. He may ask for our sympathy and support in his current problems with Nepal and Sri Lanka.

Indo-British relations

The Prime Minister could:

- note the healthy state of relations, and refer to the Nehru Centenary celebrations. She opened the Nehru Gallery at the Victoria and Albert Museum on 7 June and has invited Vice-President Sharma to Britain for a Centenary Banquet in November.

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- refer to the special effort she and other Ministers have made in the past year to emphasise publicly our solidarity and cooperation with India in fighting Sikh terrorism; and enquire about progress in the Punjab.
- recall Lord Young's successful visit in February (when he met Gandhi); ask about the possible Rolls Royce participation in a Soviet-Indian project to produce civil aircraft (about which she wrote to him in March); and commend BAE's bid to supply the Advanced Turbo Prop (ATP) to Vayudoot, India's second internal airline, on attractive financial/industrial terms (rupee payment, substantial local participation in manufacture).
- refer briefly to the Hawk Jet Trainer, about which she wrote to Gandhi in January 1989. BAE have offered a very attractive package, involving zero foreign exchange cost to India: the only other serious contender is France. A decision seems unlikely before the Indian elections.

Other major projects are not ripe for decision. The British bid to build the Rihand II power station (Rihand I is nearing completion) is stalled, following good progress in negotiations, by the withdrawal of GEC's Italian boiler supplier. GEC are urgently seeking a new partner, and still hope for a contract by the autumn. There have been hints that Gandhi might be thinking of giving Britain a major contract to seal the improvement in our relations. ATP (cf300m) is probably our best bet, followed by Hawk (cf600m).

Indian Domestic Political Prospects

With six months to go before elections are due (no date announced) the opposition are divided and floundering, and Congress I's lacklustre performance seems to be offset by an increase in Gandhi's own standing. Barring a major upset, Gandhi seems set to be re-elected as Prime Minister, though probably with a much reduced majority. The Prime Minister could ask what scope he sees for further economic liberalisation after the elections.

South Asian Issues

Gandhi may raise India's current difficulties with Nepal and Sri Lanka. The Nepalese hope we will raise Nepal too and will see it as a sign of support (which they expect given the Gurkha connection).

India/Nepal

The Prime Minister might say there is great affection in this country for Nepal (Gurkhas, royal links) and concern over

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the suffering caused by the present dispute, (Nepal is starved of diesel fuel, and kerosene for cooking). We hope a very early negotiated solution can be found. Both sides have agreed to negotiate: time and place remain to be fixed. Nepal seems genuinely worried about India's intentions as to her future independence; the example of Sikkim is often quoted.

We believe Nepal's long term economic interests would be best served by close cooperation with India (enabling, for example, development of Nepal's hydro-electric potential), and we think Nepal's enthusiasm for a non-preferential (MFN) trade relationship with India misguided. We have made this plain to Nepal. Can we help in any way? But we would need to be able to offer Nepal some reassurance.

The Prime Minister should be aware that we are privately uneasy about Indian intentions, particularly in relation to the monarchy.

India/Sri Lanka (if raised)

Gandhi may complain of Premadasa's attempts to strike a deal with the LTTE (Tamil Tigers), whom the Indian Peace-Keeping Force (IPKF) have been unable to suppress, and of his unilateral call for the withdrawal of the IPKF by 29 July: this would imply virtual abandonment of the 1987 Indo-Sri Lankan Accord. Premadasa's moves seem intended to free his hands to deal with the more immediate menace of Sinhalese JVP terrorists, whose support derives in large part from popular resentment of the IPKF. But if the IPKF goes, Premadasa may well prove unable to hold the ring against both LTTE and JVP.

We have supported the Accord, and sympathise with the Indian predicament, but will not want to endorse a continuing Indian presence in Sri Lanka against Sri Lanka's wishes.

Afghanistan (only if raised)

Gandhi may ask whether Britain is now prepared to take an initiative to resolve the Afghan conflict. The Prime Minister reaffirm our belief that the Afghans must be left to determine their own future, and explain that, while we should like to see early progress towards a political settlement and the restoration of peace, it is for the resistance to decide whether, and in what terms, to negotiate.

Indo/Pakistan relations

Gandhi will no doubt want to hear the Prime Minister's impressions of her talks with Miss Bhutto and of her political prospects, in advance of his own meeting with her the following week. The Prime Minister might:

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- ask about Gandhi's aims for the meeting;
- welcome the recent improvement in relations between India and Pakistan, and the recently announced understanding on military disengagement on the Siachen glacier;
- ask about the prospects for further nuclear and non-nuclear confidence building measures.

International Issues

China

The Indian reaction to recent events in China has so far been very cautious. Gandhi's visit to China this year was the first by an Indian Prime Minister for 30 years, and he will be keen not to prejudice what has been achieved. The Prime Minister will no doubt want to explain our own position.

East/West Relations

The Indians privately feel disturbed by the rapid improvement in East-West relations, which they fear may devalue them in the eyes of the Soviet Union, their long-standing friend and main source of arms. The Soviet withdrawal from Afghanistan, and the resulting prospect of a Soviet-Pakistan rapprochement, sharpen this anxiety. Gandhi will want to hear the Prime Minister's impressions of Gorbachev and the prospects for East-West relations: she might ask what he expects from his own meeting with Gorbachev the following week.

European Community

India fears Spanish-led attempts to alter the balance of EC aid in favour of Latin America, to Asia's (and in particular India's) disadvantage. If this comes up, the Prime Minister could say that:

- Britain will continue to work to preserve Asia's share of the Community's Asia and Latin America programme.
- We strongly oppose 'Fortress Europe'.
- 1992 is an opportunity not a threat for India.

Commonwealth

The Prime Minister could note that Pakistan's re-entry seems on course. If the CHOGM agenda is raised, she could emphasise the need for important non-political items to get

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the full discussion they deserve and to avoid divisive debate on South African sanctions. (The Indians are concerned about environmental issues, likely to be an important agenda item, as well as Drugs and Terrorism.)

Mr Gandhi might raise the Secretary-Generalship. He is believed to be sympathetic to Fraser's candidature.

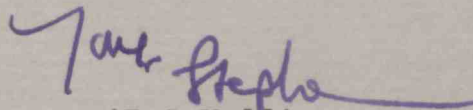
The High Commission in Delhi maintains a dialogue with the MEA over Fiji. The Constitutional Review Committee, set up by the Fiji Government, has finished gathering evidence and its report to the Fijian Cabinet (expected shortly) is likely to be critical of the draft constitution. Unless a constitution is imposed by Ratu Mara to meet his two year deadline (December) before he steps down, considerable debate seems likely. There seems no likelihood of Fiji re-applying for Commonwealth membership in the foreseeable future. If Fiji did apply, India would certainly oppose her readmission in present circumstances. Our offer of constitutional advice (Sir William Dale) in response to Fiji's request has now been declined by Ratu Mara.

South Africa

This is not a subject on which Mr Gandhi is ever particularly reasonable, but there are signs on this occasion that the Indians might like to prevent it looming too large in discussion. The Prime Minister may wish to give some impressions of her recent meeting with Mr de Klerk, stressing in particular:

- The encouraging signs that he accepts the need for change and negotiation.
- Our message on the early release of Mandela and other political prisoners.
- The elections in September.
- The need to encourage "new thinking" within South Africa. Strident calls for sanctions (eg at CHOGM) could jeopardise not only the positive climate for change within South Africa, but also Namibian independence (the Indians have contributed some military observers to UNTAG).

I am sending copies of this letter to Colin Walters in the Home Office, Brian Hawtin (MOD), Neil Thornton (DTI) and Alex Allan (HM Treasury).


(J S Wall)
Private Secretary

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GANDHI, RAJIV

Prime Minister since 31 October 1984.

Educated at Doon School, a tutorial college in London and Trinity College, Cambridge. Drafted into politics on the death of his brother Sanjay in June 1980. He was selected as Prime Minister by the inner group of Congress (I) on his mother's assassination on 31 October 1984. In the December 1984 elections he won a massive victory over a divided and lack-lustre opposition, taking an unprecedented four-fifths majority of the seats in the Lok Sabha. His first year in power was a success story. However since 1986 the going has become much tougher for Congress (I) and for Rajiv personally. The 'Mr Clean' of 1985 is now seen to have abandoned the effort to cleanse and reform Mrs Gandhi's corrupt party machine and resigned himself to trying to make it work; the recall in February of his confidant and fixer R K Dhawan, sacked when he took office, is widely seen as a sign of the times. In private he is calm, lucid, sensible, hard working and full of good intentions. But this is not how he comes across to the public. In Parliament he rarely speaks and, when he does, tends to make throwaway point-scoring remarks which offend by their lack of thought and sensitivity. But he retains important assets - Nehru-Gandhi legitimacy, broadly sensible and successful economic policies, his attractive personality and the absence of really credible alternatives.

His attitude towards Britain is one of some personal warmth based on his own experience at Cambridge and visits thereafter. He has however criticised a number of our policies for example over our treatment of Sikh extremists, nuclear arms control, South Africa, and immigration where he has described the 1986 imposition of visas on Indian visitors to the UK as "racist", and is particularly sensitive to real or imagined slights from Britain. He visited Britain in 1982 (for the Festival of India), 1985 (as Prime Minister) and 1986 (to attend the Commonwealth Review Meeting on South Africa).

Rajiv married Sonia, an Italian (daughter of a Turin businessman) whom he met at Cambridge in 1968.

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