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SUBJECT CC MASTER



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From the Private Secretary

14 July 1989

Dear Stephen,

**PRIME MINISTER'S MEETING WITH THE
PRIME MINISTER OF INDIA**

The Prime Minister had breakfast with the Indian Prime Minister at our Embassy in Paris this morning. Mr. Gandhi was accompanied by his Private Secretary, Mr. Sen. The Prime Minister and Mr. Gandhi had already had several long talks at social occasions during the French Bicentenary celebrations. The meeting was, therefore, an occasion to deal with residual subjects.

Hong Kong

The Prime Minister gave Mr. Gandhi an account of the present difficulties with Hong Kong, in which he expressed polite interest.

Commonwealth Secretary-General

Mr. Gandhi said he had talked to the Canadian Prime Minister, Mr. Mulroney, about the Commonwealth Secretary-General post. They were both now inclined to support Malcolm Fraser, but did not want an Africa versus the rest confrontation. They felt Malcolm Fraser was the better candidate given the sort of problems which the Commonwealth was likely to face over the next few years. These would be mostly economic. The main regional problems were being sorted out, even South Africa. He did not particularly like what was happening there. But at least they were trying.

The Prime Minister said that some method was needed to bring the choice of a successor to Ramphal to a head. Perhaps we should contact Mahathir and ask how he intended to handle the matter. If a solution was to be reached before CHOGM, someone would need to take some soundings. Whoever was chosen must have broad support across the Commonwealth. We had not declared a preference and she was not yet inclined to do so. There were problems with both candidates. If there was a deadlock, perhaps Ramphal would simply have to

soldier on, although no-one was actively supporting this. Mr. Gandhi agreed that some procedure had to be found to resolve the matter.

CHOGM

Mr. Gandhi volunteered that CHOGM should concentrate on trade, economic and environmental issues.

Antarctica

The Prime Minister explained the background to the differences between Australia and some other governments over Antarctica. The purpose of the recent Convention was to protect Antarctica: without it, there would be no regime at all and a free-for-all. Mr. Gandhi commented that it was important not to fall between two stools and, by seeking too much in the way of environmental protection, end up with nothing.

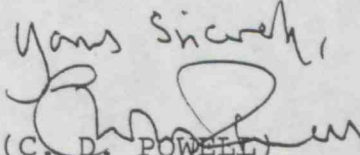
Bilateral Relations

Mr. Gandhi said that bilateral relations between Britain and India were going very well. He was very grateful for all that the Prime Minister had done, and particularly for her role in the Nehru Centenary Celebrations. The various channels on security issues were functioning well and the Sikh problem seemed largely under control. In the Punjab, he had managed to break the religious linkages of the Sikh terrorist groups and the Gundawaras were now largely peaceful. He himself had favoured holding local elections in the Punjab but others had been more cautious. His only thought about Sikh terrorists in the United Kingdom was that we might use the Charity Commissioners to investigate the use being made of funds collected in Sikh temples. The Indian Government would be prepared to co-operate. The Prime Minister said that we would look at this, although she was not sure it was practicable.

Commercial Relations

Mr. Gandhi said that the Indian Government had received a very good proposal on the Hawk Trainer aircraft. There were some offset aspects to be worked out, to minimise the foreign exchange costs, but he was optimistic. He also had great hopes of the proposed collaboration with Rolls Royce on a new Indian/Soviet airliner. He would be discussing this with Mr. Gorbachev.

I am copying this letter to Brian Hawtin (Ministry of Defence), Colin Walters (Home Office), Neil Thornton (Department of Trade and Industry, and Trevor Woolley (Cabinet Office).

Yours Sincerely,

 (C. D. POWELL)

J. S. Wall, Esq.,
 Foreign and Commonwealth Office.