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PS/Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY  
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17 November 1983

Simon Lowe Esq  
Private Secretary to the  
Secretary of State for Defence  
Ministry of Defence  
Main Building  
Whitehall

nbpm  
ZMB  
17/11

Dear Simon,

My Secretary of State has seen David Barclay's letter of 9 November requesting advice on the Indian Defence Minister's request for a line of credit to cover potential Indian defence purchases.

2 The normal HMG vehicle for such credits would be ECGD, which for "sharp" arms business would operate under its Section 2 ("National Interest") account. In fact, during the last two years ECGD has supported defence sales to India of substantial proportions. Over £900m has been earmarked for supplies of Jaguar Aircraft, Sea King helicopters and Sea Eagle missiles alone. All this business has been placed on a cash basis.

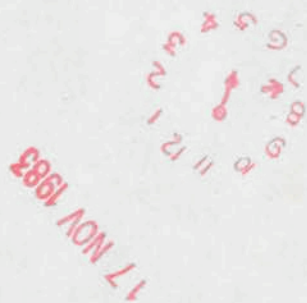
3 While ECGD could support a line of credit covering future defence sales to India, this would, of course, have to count against the limit, whether or not the facility was ever used at all. Although the Section 2 limit is substantial, demand for cover for civil and military projects is heavy and the negotiations usually take a considerable time. For these reasons ECGD would prefer not to offer to cover a line of credit if this can be avoided as this would freeze a block of cover for a lengthy period. However, Mr Venkataraman can be reassured that sufficient ECGD cover should be available to support contracts on credit terms for a major capital defence items to meet likely demands. Cover would be considered on a case by case basis in the normal way.

4 For your own information, the amount of cover allocated for business with India under ECGD's Section 2 account is £2,500 million. Much of this has already been earmarked for existing firm contracts and there is a great deal of potential business under negotiation (including further arms sales).

5 I am sending a copy of this letter to David Barclay and Peter Ricketts.

Yours sincerely,  
*Ruth Thompson*  
RUTH THOMPSON  
Private Secretary

India relations Pt 3







10 DOWNING STREET

*From the Private Secretary*

9 November, 1983

*Dear Simon,*

I enclose a letter recording the Prime Minister's brief meeting with the Indian Defence Minister earlier this week. I should be grateful if, in due course, you could let us have advice on how to respond to Mr. Venkataraman's request for additional Government to Government credit.

I am sending copies of this letter and enclosure to Peter Ricketts (Foreign and Commonwealth Office) and to Ruth Thompson (Department of Trade and Industry).

*Yours ever,**David*  
DAVID BARCLAY

Simon Lowe, Esq.,  
Ministry of Defence

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MO 6/11

15th November 1983

*Sub  
16/11*

*Dear David*

Thank you for your letter of 9th November, enclosing the record of the Prime Minister's meeting with the Indian Defence Minister.

The matter of Government-to-Government credit was also raised at Mr Venkataraman's discussion with my Secretary of State, and at Sir Clive Whitmore's meeting with his Indian opposite number. Officials have set in hand the necessary work with urgency, but this will of course take time to bear fruit. I understand that the FCO are meeting the immediate requirement for briefing on this topic, for the Prime Minister's trip to India next week.

I am copying this to Peter Ricketts at the FCO and to Ruth Thompson at the Department of Trade and Industry.

*Yours  
Simon Lowe*

(S H LOWE)

David Barclay Esq

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India: UK Pakistan Pt 3

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