

Mr Beetham

cc: PS/Mr Tebbit  
Mr Benjamin  
SAD, FCO  
PS/Mr Raison  
*Head of Chancery*

I accompanied Mr Tebbit when he called on Mrs Gandhi this morning. Mr Garekhan was the only other person present. On our way out we encountered Mr Swraj Paul in the outer office. While talking to Mr Garekhan before going in we mentioned our concern that the Indian side at IBEC should have adequate industrial as well as Governmental representation. Mr Garekhan urged us to repeat this message to others concerned; and I have since spoken eg to the Minister of Commerce and Commerce Secretary.

2. Mrs Gandhi was friendly and reasonably talkative. But all the substantive issues had to be raised by Mr Tebbit. He covered the following ground:

- (a) Our continuing interest in the modernisation of Durgapur. Mrs Gandhi said that the steel industry was a difficult area in India and indeed world-wide. Indian industry tended to produce the wrong kind of steel. Mr Tebbit stressed that under our proposal a modernised Durgapur should be able to respond flexibly to changing demand. He also described our own difficulties with the British steel industry. We had learnt the importance of improving productivity per man and of minimising energy usage; and we should be able to apply these lessons to Durgapur. Mrs Gandhi sounded interested.
- (b) GEC's interest in the captive power plant for Balco. Mrs Gandhi did not respond.
- (c) Telecommunications as a vital sector for modernisation in any country and GEC's proposal for a digital transmission network between India's four main cities. He emphasised the low cost likely to be involved, and I added that we had been disappointed to have had no reaction so far to our offer of a free initial study. Mrs Gandhi took note.

/(d)

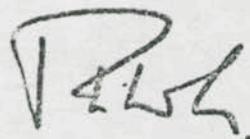


- 2 -

- (d) Our programme in Britain for installing micro-computers in schools and our ideas for helping with the supply of school micro-computers in India. We stressed the importance of computer literacy in the rising generation. Mrs Gandhi agreed.
- (e) Our interest in new aeroplanes for Indian Airlines. This led to some discussion of Mr Tebbit's experience as a pilot and to the fact that he would be seeing Mr Rajiv Gandhi at lunch at my house next day.

3. Mr Tebbit also referred to the manner in which Mrs Thatcher had reported to the Cabinet on the New Delhi CHOGM. Contrary to her expectation before she left, she had clearly found it a very well-spent eight days, and she had also been much impressed by the organisation. Mrs Gandhi said that the meeting did seem to have gone well; the Retreat in Goa had perhaps been the best part.

4. The rest of the meeting was devoted to fairly general conversation. In the course of a discussion on protectionism Mrs Gandhi said that she thought Indian industry was now over-protected; but learning to do without crutches was always a slow and difficult business. On the subject of the importance of market forces, Mrs Gandhi emphasised that these could sometimes lead people to choose short term advantage at the expense of longer term welfare; eg the farmers in the Punjab, who were damaging the soil by seeking a quick return from growing eucalyptus rather than wheat. Surprisingly, she went on to say that the public sector in India was not as large as people supposed; nor was it readily controllable by the Government. Finally she referred to her familiar theme about the narrowness of the tax base in India and the skill with which the rich seemed to avoid paying any tax at all.



Robert Wade-Gery

10 January 1984



10 JAN 1964

12 1 2 3  
4 5 6